Stack
Annex
5
090
662

fornia
nal
y

THE LIBRARY OF THE UNIVERSITY OF CALIFORNIA LOS ANGELES

THE UNIVERSITY OF CALIFORNIA LOS ANGELES
THE LIBRARY OF

# NATIONAL DEBT OF MEXICO

## HISTORY AND PRESENT STATUS

By

THOMAS R. LILL

of

Searle, Nicholson & Lill, C. P. A's.

New York

1919

With an Introduction by HENRY BRUÈRE

# NATIONAL DEBT OF MEXICO

## HISTORY AND PRESENT STATUS

By

THOMAS R. LILL

of

Searle, Nicholson & Lill, C. P. A's.

New York

1919

With an Introduction by HENRY BRUÈRE

Stack
Annex

5
090
662

## CONTENTS


| Title | Page |
|---|---|
| PREFACE | 1 |
| FOREWORD | 4 |
| Mexico's Indebtedness | 5 |
| Mexico's Chief Financial Problems | 7 |
| Annual Revenues | 7 |
| Annual Expenditures | 8 |
| Reduction of Expenditures | 9 |
| Increase in Revenues | 10 |
| Safe Limit of Borrowing | 10 |
| Former Financial Reorganization | 11 |
| Origin of the So-called British Debt | 11 |
| 6% Loan of 1824 | 14 |
| Considerations Regarding the Loans of 1823-1824 | 16 |
| National Revenues | 18 |
| Reorganization of 1831 (1824-1831) | 19 |
| Arrangement of 1837 (1831-1837) | 21 |
| Settlement of 1843 (1837-1843) | 26 |
| Conversion of 1846 (1843-1846) | 31 |
| Conversion of 1850 (1846-1850) | 34 |
| Conversion of 1863 (1850-1863) | 38 |
| 1863-1885 | 46 |
| Other British Indebtedness | 57 |
| Diaz Administration (1884-1911) | 59 |
| Interior Debt | 59 |
| Exterior or Foreign Loans | 62 |
| 6% Consolidated Exterior Mexican Debt of 1888 | 62 |
| 5% Loan of 1899 | 66 |
| 6% Loan of 1890 | 67 |
| 6% Loan of 1893 | 68 |
| 5% Consolidated Exterior Mexican Debt of 1899 | 69 |
| 5% Municipal Loan of 1889 | 77 |
| 7% Loan of 1892 | 77 |
| 4% Loan of 1904 | 77 |
| Other Loans | 79 |
| Productive Works | 79 |
| Total Revenues of Government | 80 |
| 1911-1918 | 81 |
| Financial Condition When Madero Came to Office | 81 |
| Huerta Administration | 81 |
| Summary of 6% Loan of 1913 | 83 |
| Carranza Regime | 83 |

## EXHIBITS


| No. | Title | Page |
|---|---|---|
| 1. | Statement of 5% English Loan of 1823 Covering Period from January, 1824, to April, 1831 | 86 |
| 2. | Statement of 6% English Loan of 1824 Covering Period from February, 1825, to April, 1831 | 87 |
| 3. | 5% English Loan 1823—Conversion of 1831 | 88 |
| 4. | 6% English Loan 1824—Conversion of 1831 | 89 |
| 5. | English Loan—Conversion of 1837 | 90 |
| 6. | English Loan—Conversion of 1843 | 91 |
| 7. | English Loan—Conversion of 1846 | 92 |
| 8. | English Loan—Conversion of 1850 | 93 |
| 9. | English Loan—Conversion of 1863 | 94 |
| 10. | English Loan—Conversion of 1886 | 95 |
| 11. | Summary of Public Debt | 97 |
| 12. | 3% Consolidated Interior Debt, 1886 | 98 |
| 13. | 5% Interior Debt, 1894 | 99 |
| 14. | 5% Municipal Loan of 1899—Due January 1, 1919 | 100 |
| 15. | 5% Consolidated Debt 1899—Due 1945 | 101 |
| 16. | 5% Bonds State of Vera Cruz, 1901—No Due Date | 102 |
| 17. | 5% Bonds State of Tamaulipas, 1902—First Series | 103 |
| 18. | 4% Gold Loan of 1904—Due 1954 | 104 |
| 19. | 5% Bonds State of Sinaloa, 1906 | 105 |
| 20. | 5% Bonds State of Tamaulipas, 1906—Second Series | 106 |
| 21. | 5% Bonds State of Vera Cruz, 1906—Improvement Puerto Mexico | 107 |
| 22. | 4% Gold Loan of 1910—Due 1945 | 108 |
| 23. | 6% Loan of 1913—10 years | 109 |
| 24. | 6% Treasury Bonds, 1914—10 years | 110 |
| 25. | Vera Cruz Bonds—1917—Without Interest | 111 |
| 26. | Borrowed from Banks During 1917 and 1918 | 112 |
| 27. | 4% General Mortgage Bonds—National Railways | 113 |
| 28. | 4½% Gold Bonds Caja De Prestamos | 114 |
| | Bibliography | 115 |

## PREFACE

In submitting the following report for the consideration of those concerned with Mexican financial reconstruction, a brief word in explanation of its origin seems desirable. The report was prepared at my request by Mr. Thomas R. Lill, C. P. A., of New York City.

In the spring of 1917 I accepted the invitation of the Mexican government, extended through the Honorable Luis Cabrera, Secretary of Finance, to study its financial organization and methods. Mr. Lill accompanied me to Mexico to assist in the study.

At my request Mr. Lill remained in Mexico for nine months following an initial three months' study, to direct the work of the Commission on Financial and Administrative Reorganization of the Mexican government organized in October, 1917, to carry out the fiscal reforms which I had recommended to President Carranza. During his stay, Mr. Lill, with a considerable staff, studied the various phases of Mexican finance and carried into execution a number of significant reforms in financial practice. On his return to the United States in June, 1918, he reported that President Carranza had indicated that the reconstruction of the country's foreign credit would be undertaken as promptly as possible.

It was clear that the stability of the new Mexican government would be achieved not only by promoting internal order and progress, but by resuming normal relations with other nations, especially with the United States; and that in the resumption of these relations the restoration of the national credit would play an important part. We set about, therefore, to prepare the way for conferences between responsible bankers in the United States and representatives of the Mexican government. Our efforts were, of course, fully and currently reported by us to the United States authorities, in order that the advice of the State Department might be obtained regarding the scope and method of the undertaking.

Subsequently, Mr. Lill returned to Mexico City, and while there he collected the material on the national debt incorporated in this report. The report was prepared to make available a clear statement of the history and present status of the debt for use in any conferences that might develop between the government and its creditors or foreign bankers.

Responding to our recommendation, President Carranza early in the present year dispatched Señor Rafael Nieto, Acting Secretary of Finance, to initiate discussion with Messrs. J. P. Morgan & Co. in respect of the resumption of payments

on Mexico's national debt. Shortly after Mr. Nieto's arrival in New York the formation of an International Committee of Bankers was announced to study and consider Mexican affairs. Representatives of financial institutions in the United States, Great Britain and France constitute the committee under the chairmanship of Mr. Morgan. It was arranged, therefore, that conferences should be conducted with the committee with a view to arriving at some basis for the restoration of the credit of the Mexican government.

In the foregoing paragraphs I have assumed that the reader is aware of the fact that since 1914 the Mexican government has paid neither interest nor sinking fund installments on its debt, internal or foreign. He may not know that since 1910 there have been eight successive governments in Mexico, most of them merely military dictatorships. For two years President Carranza has conducted the government as its constitutional head. For a year and a half before taking office as President, General Carranza exercised limited executive powers in contending for the control of the country under the slogan of restoration of constitutional government. Consideration of the national indebtedness has, therefore, been compulsorily deferred until the present time, because until now no government since the revolution has been in a position to meet more than the current costs of operating the government, including maintenance of the army, which for the past five years has been the principal charge against the national revenues.

There have never been lacking adequate natural resources to meet the national obligations of the Mexican people, but there has been too frequent interruption by revolutions in the process of converting these resources into available wealth. No one has yet discovered the way to provide for such distribution of wealth and enterprise in Mexico as to make the bulk of the Mexican people themselves sharers in the obligations assumed in their name by the Mexican government. Ignorance, poverty, lack of opportunity and initiative combine to hamper these folk in their long struggle for the true independence of economic autonomy and self-assertion. The recent revolution for the first time looked to the economic reconstruction of the nation. The new Mexican constitution contemplates agrarian reforms which will promote small landed holdings in place of the present vast proprietorships. Despite certain economic fallacies which must be corrected, it aims at wider education and generally aspires towards an economically competent and emancipated people.

Thus a beginning, at least to the extent of constitutional intention, has been made in upbuilding a genuine national credit. Too few investors in Mexican enterprises or fiscal agents for marketing Mexican government securities have recognized the fallacy of relying exclusively on Mexican natural resources for Mexico's credit. Too few have kept in

mind the really fundamental basis of national credit, namely, the capacity and character of the people concerned. It is on the development of this resource, the wider capacity and opportunity of the Mexican people themselves, that a lasting reconstruction of Mexico's finances must be built.

In dealing with the question of national credit and fiscal responsibility, modern finance must take into very careful consideration the plan and outlook for increased welfare of the foundations of that credit and responsibility. These are not the untapped wells of oil nor the fruits of the lands, nor the unmined veins of gold and silver, but the progress and welfare of the human folk that constitute Mexico.

HENRY BRUÈRE.

New York, September 1, 1919.

## FOREWORD

The purpose of this report is to furnish reliable information concerning the present status of the Mexican debt and the various agreements which have been made from 1831 to-date between the Mexican Government and the holders of its securities.

Mexico's inability to meet its obligations in the past has been caused by insufficient revenues, primarily due to frequent revolutions and other internal difficulties. Its history in this respect, however, is not materially different from that of many other nations.

The chief injury to Mexico's reputation and credit heretofore has been due to the fact that its government had not developed sound financial and economic policies. Division of authority through the appointment of several agents where one would have sufficed, conflicting instructions and repudiated agreements have contributed to its unfortunate financial reputation.

The evils of such practices appear to have been recognized about 1885, when modern business methods were first adopted in the conduct of government affairs.

An attempt has been made here to show the errors which Mexico has made in the past, and it is hoped that the result will be of assistance in the solution of Mexico's present financial difficulties and serve to prevent similar errors in the future.

The work of Joaquin D. Casasus, "Historia de la Deuda Contraida en Londres, Mexico City, 1885," has been my principal source of information for the section of this report relating to the Debt from 1823 to 1885. A bibliography of the other material used is placed at the end of this book.

THOMAS R. LILL.

## MEXICO'S INDEBTEDNESS

At two former periods in the history of Mexico the financial policy of the government has played an important part in its destiny.

In 1861, Mexico's foreign financial difficulties were largely instrumental in bringing about the intervention in its affairs by the triple alliance of Great Britain, France and Spain pursuant to the Treaty of London of October 31, 1861. This alliance afterwards developed into the so-called French invasion, from which sprang the short-lived Second Empire of Mexico established by Napoleon III.

In 1885, the reduction and consolidation of its debt and the adoption of a definite financial program restored its national credit abroad, attracted foreign capital, and started Mexico on the road to the most prosperous period of its history.

And now at the beginning of 1919, after seven years of revolution, the future welfare of Mexico once more depends, to a large extent, upon the degree of wisdom and foresight with which its financial policy is developed.

In 1862, Manuel Payno, Minister of Finance, at the request of President Juarez, wrote a history of the Mexican debt with the evident purpose of showing that intervention was determined upon by Great Britain, France and Spain in order to collect the debts due its citizens.

In 1885, Joaquin D. Casasus published a serious study of the public debt, in which he took the ground that the intervention of 1861-1867 was not an attempt to collect unpaid interest, and that intervention by one or more nations in the affairs of another to secure payment of funds voluntarily loaned by their respective citizens is not justifiable.

Aside from the amounts which Mexico owes to subjects of foreign countries on account of claims for injuries, death and property losses, and which have not been determined, the present indebtedness of Mexico is as follows:

### SUMMARY

### PRE-REVOLUTION DEBT

*Prior to June* 30, 1911

| | Pesos |
|---|---|
| Exterior | 286,944,250.00 |
| Interior | 138,795,550.00 |
| **Total** | 415,739,800.00 |

Of the above, the 5% Municipal Loan of 1899 became due on January 1, 1919, amounting to £1,385,500.00 or Pesos 13,525,815.00.

## POST-REVOLUTION DEBT

*Period from* 1911 *to* 1915

| | Pesos |
|---|---|
| 6% Ten Year Treasury Notes 1913 | 166,387,901.00 |
| 6% Ten Year Treasury Notes 1914 | 21,241,176.00 |

*Period from* 1916 *to* 1918.

| | |
|---|---|
| Borrowed from Banks | 53,155,734.00 |
| Employees for Part Salaries | ~~23,000,000.00~~ |
| Vera Cruz Bonds | 2,942,885.00 |
| Vera Cruz Bonds awaiting issue | 582,685.00 |
| Total | 269,310,381.00 |
| Grand Total | 695,050,181.00 |

## GUARANTEES

| | |
|---|---|
| 4% General Mortgage National Rys. Bonds | 101,497,150.00 |
| 4½% "Caja de Prestamos" Gold Bonds | 50,000,000.00 |
| Total | 151,497,150.00 |

The 6% Bonds of 1913 and 1914 were issued by President Huerta and there are good grounds for the belief that the issue of a large portion thereof was tinged with fraud.

## INTEREST ACCRUED AND NOT PAID AS OF DECEMBER 31, 1918.

| | Pesos |
|---|---|
| Exterior Debt | 61,710,394.00 |
| Interior Debt | 30,460,502.00 |
| National Rys., Bonds (Portion Guaranteed by the Government) | 9,134,743.00 |
| "Caja de Prestamos" Gold Bonds | 5,643,661.00 |
| Bank Loans (Est'd) | 3,300,000.00 |
| 6% Ten Year Bonds of 1913 (Est'd) | 54,908,000.00 |
| 6% Ten Year Bonds of 1914 (Est'd) | 5,735,117.00 |
| Total | 170,892,417.00 |

This sum would be reduced by the amount of the interest due on that portion of the 6% bonds of 1913 and 1914 which investigation may show are not just obligations of the government.

The above sums represent the indebtedness for which the Mexican Government is directly liable. Inasmuch as the government has seized and is operating the larger part of the railway lines of the country it must, for the time being at least, assume responsibility for the payment of the entire railway indebtedness, the exact status of which will require a special investigation to determine.

The government is now operating the following systems:

National Railways of Mexico (under the name of Constitutionalist Railways of Mexico).

Tehuantepec National Railway (Puerto Mexico to Salina Cruz).

Mexican Railway (Mexico City to Vera Cruz).

In addition to the funds required to settle interest in arrears and accrued principal on its debt, Mexico should have funds for internal development, the establishment of a Federal Bank, the reorganization of its railways and the rehabilitation of commerce and industry.

*MEXICO'S CHIEF FINANCIAL PROBLEMS ARE:*

1. Settlement of present indebtedness for interest and principal due and payable.
2. Reorganization of its finances so that the annual debt charge will be adjusted to meet its income.
3. Procurement of funds for industrial, commercial and educational development.

It is obvious that accrued interest due cannot be paid at present. The settlement of this item should be included in the general financial reorganization, which must of necessity be based upon the amount which Mexico can afford to pay annually for debt service, now and in the future.

The total annual revenues of the Mexican Republic at present are between P. 120.000.000 and P. 140.000,000. Until law and order have been established, all of this amount will be required for current governmental expenses.

In 1910-1911 the annual debt service charge amounted to P. 25,000,000 or about 27% of the average annual revenues.

**Annual Revenues**

The annual revenues of the nation for the five years ended June 30, 1911, were as follows:

| | Pesos |
|---|---|
| 1906-1907 | 115,027,009.00 |
| 1907-1908 | 111,810,934.00 |
| 1908-1909 | 98,775,510.00 |
| 1909-1910 | 106,328,485.00 |
| 1910-1911 | 111,142,401.00 |
| Total | 543,084,339.00 |
| Annual Average | 108,616.868.00 |

There is included in this sum the revenues collected to pay the expenses of the Federal District and its municipalities. Under the new Constitution these governmental units are autonomous and collect their own revenues. In order to compare the present revenues of the Federal Government with the five-year period ended June 30, 1911, it is necessary to deduct from the above annual average the amount collected to pay the expenses of the Federal District, its municipalities and the territories, which was approximately P. 16,000,000 per annum. Therefore, the net average annual revenues from 1906-1907 to 1910-1911 may be considered to be approximately P. 92,000,000.

Before the European War, the annual revenues of the United States were about one billion dollars ($1,000,000,000). As a result of the war the annual interest charges alone will exceed this amount, so that the total revenues required for debt service payments will exceed 50% of the total revenues collected.

The situation in the two countries, however, is radically different. Because of our great wealth it has been possible suddenly to increase our national revenues eight-fold, but Mexico, with her meagre population and retarded industrial development, has not been able to increase her annual revenues by more than 50% above the five-year average of P. 92,000,000.

### Annual Expenditures

The national budget for the fiscal year ended June 30, 1911, gives an indication of the needs of the country in normal times, taking into consideration, however, the old price levels and the restricted service program of the government then in force:

| SUMMARY OF BUDGET 1910-1911. | Pesos | Pesos |
|---|---|---|
| Budget as passed by Congress | | 104,294,030.00 |
| | Pesos | |
| Deduct: | | |
| Debt Service | 25,458,416.00 | |
| Items eliminated for comparative purposes | 23,816,520.00 | |
| Pensions | 883,000.00 | |
| Total Deductions | | 50,157,936.00 |
| Expenses of Administration: | | |
| Divided as follows: | | |
| War Department | 21,117,175.00 | |
| All other Departments | 31,018,919.00 | |
| Total Expenses of Administration | | 52,136,094.00 |

The items eliminated in order to arrive at a proper basis for comparison consist principally of the cost of administration of the Federal District and its municipalities, the Territories, and the amounts provided for public works. The administrative cost of several bureaus has been eliminated from the 1918 budget due to their discontinuance, such as the National Lottery and those required for capital improvements.

The budget for the calendar year 1918 indicates the changed conditions:

| SUMMARY OF BUDGET, 1918. | Pesos | Pesos |
|---|---|---|
| Budget as passed by Congress, including Department of Munitions | | 208,137,331.00 |
| Deduct: | Pesos | |
| Debt Service | 3,220,000.00 | |
| Pensions | 2,190,000.00 | |
| Total Deductions | | 5,410,000.00 |
| Total Expenses of Administration | | 202,727,331.00 |

COMPARISON.

| | Pesos |
|---|---|
| Budget 1910-1911 | 52,136,094.00 |
| Budget 1918 | 202,727,331.00 |
| Increase | 150,591,237.00 |

## Reduction of Expenditures

However, a budget is only an estimate of current expenditures. Actual expenditures may be considerably less than the amount provided in the budget, and this desirable consummation has been earnesty striven for during the year 1918.

A law was passed which provides that employees and officers of the army shall draw only 75% of their salary as authorized by the budget. Due to this measure, the monthly requirements of the nation, based upon the 1918 budget, are about P. 15,500,000.

In January, 1918, President Carranza put into effect a monthly budget and allotment system. In the same month, Congress, at his request, created a Department of Control with original jurisdiction over all accounts of the nation. From information available at present, it is believed that as a result of the efforts of the new Department of Control the monthly expenditures now average about P. 11,000,000, which will bring the annual expenditures down to P. 132,000,000.

The current deficit between revenues and expenditures has been met by loans from banks in Mexico and the United States, the latter on marketable collateral.

## Prospects for Further Reduction of Expenditures

It is probable that the necessary cost of government administration will never again be as low as it was in the last years of the Diaz regime. Whereas Mexico was one of the cheapest places in the world to live in, it is now one of the most expensive. The cost of living will probably decrease to some extent with the general resumption of agricultural and industrial operations.

Excluding the amount required for debt service, the cost of government for the five years ended June 30, 1911, averaged about P. 50,000,000 per annum or P 3.32 per capita. On this per capita basis, the annual appropriation bill of the United States would be about P. 332,000,000 or $166,000,000. On the other hand, the cost of administering a very efficient government in the Philippines has never exceeded $2.00 or P. 4 per capita.

However, a substantial reduction of expenditures cannot be expected until law and order have been re-established in Mexico. The extermination of banditry in Mexico will probably require a large armed force with consequent extraor-

dinary expense for one or two years longer. The situation confronting President Carranza is very similar to that which existed in the Philippines from 1900 to 1902.

### Increase in Revenues

In the present condition of commerce and industry it is not probable that additional taxation will be imposed.

The Revenue Laws have been generally revised during the past year and, while revenues have already been increased as a result, further increases may be expected when this new legislation is fully effective.

### Safe Limit of Borrowing

One conclusion to be drawn from a consideration of Mexico's financial policy is that from 1824 up to probably 1885 her public debt was excessive.

Notwithstanding the glamour surrounding Limantour's administration of Mexican finances under Diaz, and the ability with which he provided for successive issues of securities, there are grounds for belief that the safe limit of borrowing had again been exceeded by 1910-1911.

Of the average revenues amounting to P. 92,000,000 (after deducting revenues which are not now collected by the Federal Government), P. 25,000,000, or 27.1%, were devoted to paying interest and amortization charges on the public debt, leaving P. 67,000,000 or $33,500,000 for the conduct of the government of a nation of 15,000,000 people.

The limit of safe borrowing cannot be determined by the percentage of the total revenues required for interest and amortization payments. 27% of the salary of a man receiving $75.00 per month would deprive him of some of the necessities of life, while 27% of an annual income of $1,000,000 would not deprive him of his luxuries.

The amount of indebtedness which a man may safely incur depends upon the amount he can afford to pay from his income for interest and amortization charges. The amount he can afford depends upon what he has left after providing for the necessities of life.

The same rules apply to nations as to individuals. What Mexico can afford to pay in debt service, thereby determining its limit of credit, depends upon its total income and the amount of its necessary expenses.

It is probable that Mexico's necessary expenses in the future, after pacification has been effected, will aggregate approximately double what they were in 1910-1911, or, say, P. 100,000,000.

With a present revenue of P. 125,000,000, it can afford to pay P. 25,000,000 for its debt service when military charges

are proportionately reduced. During the early part of 1918, the revenues averaged a little less than P. 10,000,000 a month. The Minister of Finance states that revenues have shown a considerable increase and that they now exceed P. 12,000,000 a month.

With a maximum of P. 25,000,000 to P. 30,000,000 a year which may be utilized for debt service on the basis of present income, it follows that the maximum debt which Mexico could now support if military charges were reduced is approximately P. 500,000,000.

Assuming that in the future the railways and the "Caja de Prestamos" will take care of the interest on their bonds, the amount of bonds issued by them and guaranteed by the government may for the present be eliminated from immediate calculations.

With this deduction, the debt of the government is approximately as follows:

| | Pesos |
|---|---|
| Pre-Revolution Debt | 425,739,800.00 |
| Post-Revolution Debt | 269,310,381.00 |
| Interest | 170,892,417.00 |
| Total | 865,942,598.00 |

If interest and amortization charges are computed at 5½%, about P. 48,000,000 would be required annually for these purposes, a sum considerably in excess of the nation's present ability to meet.

### Former Financial Reorganizations

The present financial condition of Mexico is not without precedent. At several former periods the Republic was in similar difficulties which were solved in various ways.

In the chapters which follow an attempt is made to show the successive financial reorganizations which have taken place since 1824, and to describe the financial policy of the government since its reorganization in 1886 to 1911 and from 1911 to 1918.

## ORIGIN OF THE SO-CALLED BRITISH DEBT

Mexico began its war of independence against Spain on September 16, 1810. This war was brought to a successful conclusion on August 24, 1821. The first act of the new nation was to set up a provisional government of five regents. A congress was organized which elected Augustin Iturbide Emperor of Mexico. On May 19, 1822, he took the oath of office before Congress, and was crowned and anointed on June 21, 1822.

Emperor Iturbide abdicated on March 20, 1823, having been in power less than one year. The advocates of a more liberal government were then successful in establishing a republican form of government, and a constitution much like that of the United States was adopted on October 4, 1824.

The first Mexican foreign loan was authorized in a decree of June 25, 1822, promulgated by Emperor Iturbide, which provided for a loan of P. 25,000,000 to P. 30,000,000.

Negotiations for placing this loan in foreign countries were entrusted to representative Mexicans, but all of their efforts proved unsuccessful. The results were so unsatisfactory that on May 1, 1823, Congress declared void the decree of June 25, 1822, and authorized a new foreign loan of P. 8,000,000.

Thereupon the Mexican Government began negotiations for a foreign loan with B. A. Goldschmidt & Company, Bankers, of London. These negotiations resulted in a contract for a loan of £3,200,000 at 5%, which was considered to be within the authorization granted by Congress, since the amount realized equalled the amount desired, and which was approved by the Mexican Government on May 14, 1824. This loan was secured by a mortgage of one-third of all the Mexican customs receipts.

In accordance with the terms of this agreement, the bonds were purchased by Goldschmidt & Company at 55%, less 5% commission. Other deductions on account of interest paid before the bonds were issued, expenses, etc., as shown in the statement on Page 13, reduced the amount received by the Mexican Government to £1,139,660.* This transaction was the corner stone of the insecure financial structure known as the British Debt because the loans constituting it were negotiated in England.

The following statement shows the expense of placing the 5% loan of 1823 and the amount received by the government.

*Historia de la Deuda Contraida en Londres.—Joaquin D. Casasus, Mexico City, 1885.

## 5% LOAN OF 1823.

### STATEMENT

| | Debit | Credit | Par Value of Bonds |
|---|---|---|---|
| February 7, 1824 sale of bonds at 55% | | £1,760,000. | £3,200.000 |
| 5% Commission | £ 160,000.00- 0 | | |
| Interest paid to bankers prior to issuance of bonds | 189,592.16- 9 | | |
| Expenses of issue | 2,376.15- 0 | | |
| Balance | 1,408,030. 8- 3 | | |
| Totals | 1,760,000. 0- 0 | 1,760,000. 0- 0 | |
| Balance down representing net proceeds | | 1,408,030.08- 3 | |
| Received from proceeds of 1824 loan to amortize bonds | | 611,977.14- 9 | |
| Received from proceeds of 1824 loan for interest | | 56,518.10- 8 | |
| Profit on exchange | | 544.06-10 | |
| Interest and commission on bonds issued | 149,934.08-10 | | |
| Interest paid from proceeds of 1824 loan | 56,518.10- 8 | | |
| Cost of bonds amortized from retained principal | 115,902.19- 6 | | |
| Cost of bonds amortized from 1824 loan | 611,977.14- 9 | | 1,069,500 |
| Present to Sir John William Lubbock | 3,077.06- 9 | | |
| Balance | 1,139,660.00- 0 | | 2,130,500 |
| Totals | 2,077,071. - 6 | 2,077,071. 0-06 | 3,200,000 |
| Balance down representing cash actually received by govment | | 1,139,660. | |
| Bonds outstanding after amortization as above | | | 2,130,500 |
| Interest rate on amount received | | 9.43% | |

## 6% LOAN OF 1824

The second loan, closely following the first, was authorized by Congress on August 27, 1823 and fixed at P. 20,000,000.

As a result of the authorization granted by Congress, and before the first loan was consummated, several English banking firms established in Mexico had offered to place the loan in London.

Among others, Robert P. Staples submitted a proposal on June 28, 1823, which was favorably considered and was about to be accepted when Barclay, Herring, Richardson & Company submitted a counter-proposal to the government.

Robert P. Staples appears to have represented Thomas Kinder, of London, who, while insolvent during 1822, had contracted to float a loan of £1,200,000 for the Government of Peru.

Before the Staples contract could be approved the Barclay, Herring, Richardson & Company proposal, while not as favorable in its terms as that of Staples, was accepted by the Minister of Finance on August 18, 1823, and submitted to Congress for approval. It provided for a loan of £3,200,000 to be taken by the bankers at 70% with 10% commission.

Thereupon, Staples wrote to members of Congress calling their attention to the fact that his proposal was more favorable, and urging Congress not to approve the proposal of Barclay, Herring, Richardson & Company.

The members of Congress immediately took sides concerning these proposals and used the publications of the day to vilify the opposing faction. The Minister of Finance, fearing that Staples was "competent to fascinate the members of Congress," also entered this factional fight by publishing a letter attacking Staples.

Notwithstanding the fact that the contract of Barclay, Herring, Richardson & Company was properly executed and that in accordance with its terms they had advanced P. 500,000 to the Mexican Treasury, the government on one pretext or another failed to proceed with the matter. The government, learning that the 5% bonds of 1823 were quoted at 70 on the London Stock Exchange, concluded that the new 6% bonds should be worth between 84 and 85½.

After considerable discussion and numerous attempts on the part of Barclay, Herring, Richardson & Company to induce the government to carry out the provisions of the contract, a modification thereof was signed on August 25, 1824, providing for a bond issue of £3,200,000 with interest at 6% per annum, to be sold at the most favorable price, less a commission of 6% on the amount realized. This 6% loan of 1824 was sold at 86¾% and produced £1,300,898.03-9 for the government, after deducting interest received before bonds were issued and expenses, etc., as explained in detail in the following statement:

## 6% LOAN OF 1824

### STATEMENT

| | Debit | Credit | Par Value of Bonds |
|---|---|---|---|
| February 7, 1825, sale of bonds at 86¾% | | £2,776,000. | £3,200,000 |
| 6% commission | £ 166,560.00 | | |
| Interest paid to banks prior to issuance of bonds | 167,952.00 | | |
| Expenses of issue | 1,462.07 | | |
| Balance | 2,440,025.13 | | |
| Totals | 2,776,000.00 | 2,776,000.00 | |
| Balance down representing net proceeds | | 2,440,025.13 | |
| Received from Government remittance by frigate Piramus, June 26, 1826 | | 56,004.18 | |
| Interest and commission on bonds issued | 122,563.16- 6 | | |
| Cost of bonds amortized | 33,001.00 | | 49,100 |
| Amount transferred to 1823 loan for amortization purposes | 500,000.00 | | |
| Amount transferred to 1823 loan for amortization purposes | 111,977.14- 9 | | |
| Amount transferred to 1823 loan for payment of interest | 56,518.10- 8 | | |
| Interest on advances made prior to loan | 4,142. 9- 3 | | |
| Loaned to Colombia without authority | 63 000.00 | | |
| Loss through bankruptcy of Barclay, Herring, Richardson & Company | 303,928.16- 1 | | |
| Balance | 1,300,898. 3- 9 | | |
| Totals | 2,496,030.11 | 2,496,030.11 | |
| Balance down representing cash actually received | | 1,300,898. 3- 9 | |
| Bonds outstanding after amortization as above | | | 3,150,900 |
| Interest rate on amount received | | 14.33% | |

## CONSIDERATIONS REGARDING THE LOANS OF 1823-1824

The amount of cash actually received from these two loans, and the amount of bonds outstanding after the payments detailed in the statements on pages 13 and 15 are as follows:

| | Amount Realized | Amount Outstanding | Annual Interest |
|---|---|---|---|
| 5% Loan of 1823 | £1,139,660.00-0 | £2,130,500.00 | £106,525.00 |
| 6% Loan of 1824 | 1,300,898.03-9 | 3,150,900.00 | 189,054.00 |
| Total | £2,440,558.03-9 | £5,281,400.00 | £295,579.00 |

The rate of interest paid, based on the amount of cash actually realized was 12.11% per annum.

No attempt has been made to show the theoretical net return to the government. If certain interest and amortization charges had not been paid from the proceeds of the loans, which had been retained by the bankers in accordance with the established usage of the day, it is clear that other funds must have been remitted for that purpose.

The object here is to show what the government actually received and what it parted with as a consideration therefor.

Joaquin D. Casasus in his "History of the Debt Contracted in London" (published in 1885), deducts the amount paid from retained proceeds for amortization purposes to arrive at the amount realized by the government, but does not deduct the amount of interest from the same retained proceeds, although apparently the same principle should apply.

These two loans with their accretions of interest and several conversions constituted the foreign debt of Mexico until 1886-1889, when they were finally redeemed with the proceeds of a new loan placed with Bleichroeder & Company, of Berlin.

Casasus devotes a chapter to discussing whether these loans were unduly usurious, whether the government could have secured better terms, and whether the subscribers to the loan could be held responsible for the mistakes made. He points out that the country was completely bankrupt, with all the sources of wealth which should contribute to the support of the nation ruined or impoverished.

In addition to the urgent need of funds as a reason for making the loans, he refers to the teachings of a group of Eighteenth Century economists which were accepted as scientific truth at that time, to the effect that it was not possible to administer a government without recourse to loans, that such loans augmented the public wealth by the amounts borrowed, and that they were only loans from the right hand to the left.

In addition to these teachings which influenced the opinion of public men of that time, it was believed that if a loan were

placed abroad each holder of a bond would be a friend of Mexico in time of need, and that if Spain should move to reconquer her former colony, the nation abroad whose subjects held Mexican bonds would, as a matter of self-interest, help Mexico.

Casasus compares the Mexican loans with British, French and Spanish loans made from 1815 to 1823, and states that in view of the figures presented, it cannot be said that the Mexican loans were usurious.

He cites nine French loans issued from May 1815 to July 1823 yielding a return of 51.23 for the first to 89.55 for the last, and upon this fact bases his opinion that the economic condition of Mexico in 1823 was about the same as that of France in 1815.

It is of little value now to speculate whether the Mexican Government, almost a century ago, could have placed its loans to better advantage, but there appears to be no good reason why a better rate could not have been secured for the first loan at least.

The two loans were practically negotiated together, the second before the first was closed, for the news of the second loan reaching London before the first was concluded is cited as a reason for the low rate of the first.

However, the rate at which the first loan was sold, 50%, was 39.55 points less than the rate of the French loan of the same year. The second loan sold at 86.75 with interest at 6%. Reducing this price to a 5% basis, Casasus points out that it would have resulted in a price of 72.29.

If 72.29 had been secured in August, 1824, the date of the second loan, it would seem that a better rate than 50 could have been secured for the first loan in May, 1824.

The payment of the first few coupons and one or two years' amortization charges from retained proceeds appear to have been the practice of the day. The real reason for this custom, however, seems to have been the lack of modern communication facilities.

The amount lost through the bankruptcy of Barclay, Herring, Richardson & Company was due to carelessness, as the government had received notice of their financial condition sufficiently in advance of the event to have transferred its account to other bankers.

The unauthorized loan of the Mexican Minister to Colombia shown in the financial statement on page 15 was wholly without authority and made at a time when the government was urgently in need of funds.

The gravest error made by the Mexican Government was in the disposition of the proceeds. A loan to be used in the payment of the ordinary expenses of administration can only be justified by an increase in the revenues sufficient to provide for interest and amortization charges; otherwise the ordinary revenues of the nation would be reduced by such charges. If

the proceeds of loans are invested in such a way as to promote industry and commerce and thereby increase revenues, they are fully justified.

Casasus states, however, that it was impossible to increase the revenues of that period to take care of the debt service, nor were the proceeds used in productive work, and continues:

"What these contracts demonstrate is the unwise disposition of the proceeds of the loans which have been the just cause of their being considered ruinous. The government always had, since 1821, the insane desire to possess ships of war as soon as the 'Junta Provisional Gubernativa' was installed, and when the Minister of Finance had not the means to pay the troops guarding the capitol, a commissioner was sent to the United States to purchase ships of war.

"These were the ideas of the time and the wishes of the government, and in accordance therewith, the second loan was made with Barclay, Herring, Richardson & Company who sent ships very costly and of little use, military clothing not serviceable because of lack of suitability and bad condition, nautical and astronomical instruments which had to be sent back for repairs, etc."

These useless expenditures cost the government £284,541-16-2.

## NATIONAL REVENUES

The revenues of New Spain (under Spanish rule up to 1821) decreased substantially during the years of the revolution from 1810 to 1821, and were as follows:

| | Pesos |
|---|---|
| 1810 | 9,361,176 |
| 1811 | 5,005,495 |
| 1812-1816 Average | 2,345,239 |

These revenues were collected under Spanish laws and the decrease was due to the revolution.

The new government had no more than established itself in office than it began to abolish some of the important taxes for the purpose of making itself popular with the people.

Casasus criticizes this measure because at that time the new government needed more funds than ever, in spite of which it repealed some of the measures producing that revenue.

However, as commerce and industry were totally ruined it would have seemed the part of wisdom to remove restrictions in order to encourage and develop them. A reduction of taxation under such circumstances would probably have resulted in larger total returns after a reasonable time.

The revenues in 1821, 1822 and 1823 were not materially larger than for several years prior to that period. The gov-

ernment continually resorted to forced loans, contributions and other measures to make up part of its deficit. Such being the condition of the country, it seemed clear that it could not long pay debt charges amounting to at least one-half of its total annual revenues. No financial program was formulated for the use of the proceeds of the loan, which alone would have justified the government in mortgaging its future.

What could justify the action of the bankers in lending money to a country totally unable to pay interest on the amounts borrowed? Ordinary investigation would have convinced them that their clients very probably would lose by investment in Mexican securities.

This was the origin of the British debt which caused such great difficulty for succeeding administrations during 60 years and which today is still in evidence as part of the 1899 loan of £22,700,000, a debt that should not have been contracted by the government nor granted by the bankers.

## 1824 TO 1831

## REORGANIZATION OF 1831

Barclay, Herring, Richardson & Company, financial agents of the government, failed in 1826 and the government was, therefore, suddenly deprived of the means of paying the interest on its foreign debt.

Some time after this event Baring Bros., of London, were appointed the financial agents of the government and paid the coupons falling due on October 1, 1826, and January 1st, April 1st and July 1st of 1827, with funds remitted by the government, together with advances made by themselves to supply deficiencies arising through short remittances and loss in exchange. The sums advanced by Baring Bros. up to July 15, 1827, amounted to £131,154-12-0.

They urged the government several times to liquidate this balance, as well as to forward funds to pay future interest charges so as to save the credit of the country.

The government replied by each post that it would shortly send funds sufficient to pay the back interest and to liquidate the balance due the bankers. Repeated failures on the part of the government to comply with its promises exasperated the bondholders and led them to believe that they were the victims of a swindle.

On May 23, 1828, the government issued a decree providing that one-eighth of the receipts of the maritime custom houses, and all of the exportation taxes on gold and silver should be used to pay debt charges, and further providing by circular that these sums were to be treated as the property of the British bondholders from the time of collection and were to be remitted direct to London. This measure somewhat reassured the

bondholders, until the government again failed to forward funds in accordance with the decree.

In October the government submitted a law to Congress for approval, authorizing the capitalization of unpaid interest. This proposal was submitted to Baring Bros., who replied that the government had suffered enough in public opinion by the solemn promises made by one post and lightly broken by the next, and that if they called a meeting of bondholders to propose a plan of capitalization and to obtain their consent thereto, they should, as men of honor and truth, be able to advise them that future interest payments would be met promptly.

"For my part," said Mr. Baring, "I have no hope of this on account of the serious condition of your government, as well as the measures you have taken for that purpose."

The government, notwithstanding that it agreed with these views, insisted on submitting to the bondholders a proposition to capitalize unpaid interest, which was not accepted, because Baring Bros. thought it best not to complete a transaction which had little probability of being carried out.

Here the matter rested until 1830, when the Secretary of Foreign Relations of Mexico took the matter in hand and offered to put aside one-eighth part of the import taxes, and asked that an agent be appointed by the interested parties to act with the government who would name an agent in each custom house to whom the funds would be given as soon as collected.

In accordance with this request, Messrs. Manning and Marshall were selected by the bondholders to represent them, appoint agents, and to prepare and submit a proposal to the government for the capitalization of unpaid coupons.

The proposal was subject to the approval of the committee of bondholders, if accepted by the government, and provided that interest due and unpaid up to April 1, 1831, was to be capitalized, that one-half of the interest becoming due in the future up to April 1, 1836, would also be capitalized, and that new bonds would be issued on April 1, 1836, for such interest. If funds were available before the issuance of bonds, the government was to pay off the back interest. The interest rate was unchanged, but one-sixth instead of one-eighth of the revenues of the custom houses at Vera Cruz and Tampico were to be set aside to pay that portion of the interest payable in cash under the new agreement.

This arrangement was approved by Congress, but the bondholders when they learned the provisions of the proposed agreement objected to the provision postponing the issuance of the bonds until 1836, stating that since they had agreed that these bonds would not draw interest until 1836, there was no reason why they should not receive bonds in exchange for unpaid coupons up to 1831. The government agreed with

this view and amended the previous law by authorizing the issuance of the new bonds as desired by the bondholders on May 20, 1831.

These agreements were almost repudiated by the bondholders on the failure of the government to pay the one-half interest due on July 1, 1831, because the collections made by the bondholders were not sufficient to pay the amount required. Baring Bros. came to the rescue again, paid the balance and secured an agreement that interest was to be paid semi-annually instead of quarterly.

The amount of unpaid interest capitalized in accordance with this agreement was as follows:

| | |
|---|---|
| Loan of 1823. October 1, 1827, to April 1, 1831 | £399.468-15-0 |
| Loan of 1824, October 1, 1827, to April 1, 1831 | 708,952-10-0 |
| Total | £1,108,421-05-0 |

CAPITALIZATION

| | |
|---|---|
| £399,468-15-0, representing 62½% of amount due | £639,150-0-0 |
| £708,952-10-0, representing 75% of amount due | 945,270-0-0 |
| Total | £1,584,420-0-0 |

The new bonds were to draw interest from April 1, 1836. Old bonds were to draw one-half interest to 1836, and the balance to be capitalized.

The amount of the debt after the capitalization of unpaid interest was as follows:

| | Loan of 1823 | Loan of 1824 |
|---|---|---|
| Balance of original loan | £2,130,500- 0-0 | £3,150,900- 0-0 |
| Unpaid interest | 399,465-15-0 | 708,952-10-0 |
| Compensation for unpaid interest | 239,681-05-0 | 236,317-10-0 |
| Total | £2,769,650- 0-0 | £4,096,170- 0-0 |

## 1831-1837

## ARRANGEMENT OF 1837

After the arrangement of 1831, the interest becoming due on the first of January and July, 1832, was paid. But thereafter the collection of customs dues under the agreement was not sufficient to meet the requirements, and payments were again suspended. The one-sixth of the revenues to be paid to agents of the bondholders was reduced to 6% by order of the Director of Revenues on February 15, 1832. Even the small remittances under this order ceased in 1835.

The bondholders repeatedly protested and appealed to the British Government to secure for them the revenues to which they were entitled under their agreement and of which they were deprived by the Mexican Government.

As the time was rapidly approaching for the issuance of bonds in exchange for the provisional receipts for unpaid interest coupons from April 1, 1831, to April 1, 1836, the government gave the necessary instructions to F. de Lizardi & Company, London, who had been appointed financial agents upon the resignation of Baring Bros., to proceed with the matter.

Early in 1837, a representative of Lizardi & Company arrived in Mexico and began working on a plan to consolidate the entire debt.

On April 4, 1837, the government passed a law authorizing the Executive to proceed with the colonization of lands which were or should be the property of the nation, by selling or leasing them, the proceeds to be used to amortize the existing or future national debt.

In accordance with this authorization the President issued a decree on April 12, 1837, creating a consolidated national debt bearing interest at 5% and providing for the conversion of outstanding bonds and unpaid interest as follows:

Five per cent. bonds of 1823 at par.

Six per cent. bonds of 1824 at 112½.

Unpaid interest at par.

The total debt so created was to be divided—one-half in 5% bonds payable in cash at maturity and bearing interest from date of issue, and one-half in 5% deferred bonds payable in land included in the Mexican States of Texas, Chihuahua, New Mexico, Sonora and California, at the rate of four acres for each pound sterling, with interest from October 1, 1847.

The government irrevocably set aside one-sixth of the total customs receipts of the ports of Vera Cruz and Santa Ana de Tamaulipas (Tampico), and further provided that if coupons were not paid within ten days of due date, the owners should receive certificates which would be accepted in payment of customs duties. As additional security for the payment of principal and interest, the government in the name of the nation pledged 100,000,000 acres of land in the territory mentioned above.

This law, according to a statement issued by the Mexican Council of State, had for its purpose three objects; to reduce the debt of the nation by one-half; to provide for the colonization of sparsely populated states by making their lands productive; and to solve one of the most important political questions of the day, which was the "preservation of the national territory by interesting the British Government to lend its protection and assistance against the ambitious designs of our neighbors of the North."

The bondholders held several meetings during which the proposals of the government were strenuously debated, resulting in a compromise to name four persons to study the proposal and to report.

At the same time the British newspapers called attention to the incompatibility which existed between the law of April 12, 1837, and various laws passed by the Texans or by the so-called "Republica de Texas," advising bondholders to refrain from mixing in political matters in Texas because Mexico could not be considered to have the right to dispose of Texas lands. In addition to the political question, a rumor was spread that the conversion was a preliminary step to beginning negotiations for another loan and thus "impose a second time upon the credulous John Bull."

The opposition on the part of the bondholders was so strong that Lizardi & Company wrote on August 15, 1837, that if the proposals were accepted it would be with modifications, and requested that they be authorized to act in the matter. On November 4, 1837, the government granted the authority asked for, reserving the right, however, to accept or reject the revised contract.

In the meantime, on September 5, 1837, the Chargé d'Affaires in London, on his own initiative, entered into an agreement with the bondholders on behalf of the government which was substantially in accordance with the terms of the decree of April 12, 1837, except that the government as further security for the loan pledged in addition 25,000,000 acres of land nearest the Atlantic Ocean which were considered more suitably located for colonization purposes than the interior lands.

Lizardi & Company forwarded this revised contract with a statement showing the advantages which would accrue to the nation if it were accepted, but the government declined to ratify it on the ground that it was not in accordance with the law. On January 30, 1838, the Minister of Finance forwarded a message to Lizardi & Company to the effect that the government did not have authority to approve the contract, but that a new authorization had been requested from Congress so that the matter might be closed.

Some time before this date the bondholders had begun converting their bonds in accordance with the agreement entered into, notwithstanding the fact that the specific approval of Congress had not been received.

When matters had arrived at this state and bonds amounting to £2,586,900 had been issued, Baring Bros. received a letter from their agents in Mexico advising them that the agreement of September 5, 1837, was unlawful, and even if it were lawful, the government was unable to pay over the one-sixth part of the customs receipts to which it had obligated itself. Further, that after much vacillation as to what measures to adopt, the government had called an extraordinary meeting of the council which rejected the contract, all of which should quickly be brought to the attention of the bondholders.

Upon receipt of this news there was an extraordinary

decline in the price of the bonds on the London Stock Exchange, and almost simultaneously the Minister of Finance notified Baring Bros. that the Chamber of Deputies had reported favorably on the agreement and that the government would communicate its action as soon as possible, so that the conversion might be completed.

The Senate now took a hand in the matter and showed its independence by rejecting the measure. The Cabinet, fearing that the House would join the Senate, sent word to the bondholders that the contract of September 5, 1837, was disapproved, and advised them at the same time that the sixth part of the customs receipts could no longer be remitted.

Lizardi & Company now found themselves in a difficult position and requested the Mexican Minister in London to advise them as to whether they should suspend the conversion of the debt. The minister replied that in accordance with the constitution of Mexico a law, rejected by the Senate, must be returned to the House; that they should, therefore, not consider the agreement as disapproved; and that they could proceed with the conversion. Reversing the usual rules of interpretation he said that because the agreement had not been rejected by both houses, it could be regarded as valid.

Lizardi & Company, acting upon the authorization received from the Mexican Minister, continued the conversion of the old bonds and forwarded a statement to the Mexican Government in which they pointed out the serious difficulties which would ensue if the contract were disapproved, and advised the government that the conversion would be continued until further orders to the contrary.

The constant bickerings between the government and its bondholders, its vacillating conduct and its failure to keep its promises, almost destroyed its small remaining credit and further tended to alienate British friendship at a time when it was needed to prevent war with France and to suspend the blockade of Mexican ports which occurred at this time.

Hubert Howe Bancroft in his "History of Mexico" describes the war as being Mexico's first brush with a foreign power. It was termed the Pastry War by the Mexicans from the fact that the claims of a French baker for the loss of his pastries were included by French nationals among the reasons for the war.

The French fleet blockaded Vera Cruz, destroyed the fort and occupied the city. The war began April 16, 1838, and ended on December 9, 1839, upon the signing of a treaty between the two countries whereby Mexico agreed to pay P. 600,000 within six months in settlement of the French claims.

The government, realizing that British assistance was necessary to induce France to modify her demands and raise the blockade, directed its minister to reawaken in that nation

those feelings of sympathy which it had always shown for Mexico.

If it had ratified the agreement for the conversion of bonds and set aside the one-sixth part of its customs revenues as the property of Great Britain, it might well have expected favorable action by having the bondholders present their claims to the British Government. Under the circumstances it was dangerous to call a meeting of the bondholders because failure to pay their share of the customs receipts was not due to the blockade, but to the action of the Mexican Government.

However, on June 30th a representation was made to Lord Palmerston by the bondholders that the blockade of Mexican ports by the French deprived the British of the one-sixth part of the customs duties to which they were entitled, and that in consequence the British Government, which always looked after the interests of her subjects, should take part in the French-Mexican embroglio to terminate the conflict and reopen the ports to the commerce of all nations.

This action of the bondholders in conjunction with the debate in the House of Lords on August 14, 1838, in which Great Britain decided to lend her moral support to the Mexican cause and affirmed her belief in the legality of the agreement of 1837, induced the Mexican Government to take steps to secure the ratification of the agreement.

On December 18, 1838, the President sent a message to Congress explaining why the government considered it desirable to approve the agreement, but it was not until June 1, 1839, that Congress approved the agreement of September 5, 1837.

The essential facts concerning the consolidation and conversion of the 1823 and 1824 loans are shown below:

| | 5% Loan of 1823 | 6% Loan of 1824 |
|---|---|---|
| Bonds outstanding after capitalization of interest in 1831 | £2,769,650- 0-0 | £4,096,170- 0-0 |
| Unpaid interest to Oct. 1, 1837 | 673,770-12-6 | 1,195,766-11-0 |
| Exchange of 6% Bonds for new 5% issue | | 512,021-05-0 |
| Total Debt, Oct. 1, 1837 | £3,443,420-12-6 | £5,803,957-16-0 |

TOTAL AMOUNT OF INDEBTEDNESS AS PER AGREEMENT

| | |
|---|---|
| 1823 Loan | £3,443,420-12-6 |
| 1824 Loan | 5,803,957-16-0 |
| Total | £9,247,378-08-6 |

LIQUIDATED AS FOLLOWS

| | |
|---|---|
| In 5% bonds payable in cash with interest from Oct, 1, 1837 | £4,623,689-04-3 |
| In 5% bonds payable in lands with interest from Oct. 1, 1847 | 4,623,689-04-3 |
| Total | £9,247,378-08-6 |

## SETTLEMENT OF 1843

The conversion of the debt as of October 1, 1837, was not completed before new differences arose over the non-payment of interest from that date to October 1, 1839, which non-payment, it was now claimed, was due to the delay of Congress in ratifying the conversion agreement.

In accordance with the provisions of the agreement, if coupons were not paid, Lizardi & Company were required to issue custom house certificates to bondholders. As soon as Congress ratified the agreement, bondholders demanded and received certificates for back interest up to 1839.

This issue of custom house certificates was more than the one-sixth part of the customs duties provided for in the agreement, so that no cash was available to pay the coupons due April 1, 1840. On account of the excess issue bondholders receiving the certificates had to accept a loss of as much as 50% of their par value. Outstanding certificates constituted an additional debt which amounted to £189,702-12-10.

The bondholders seem to have been the first to see the folly of issuing an excess of custom house certificates, and on April 14, 1840, requested the bankers to capitalize four interest coupons. The bankers amended the proposal by providing that one-half of the coupons be made payable in active and the balance in deferred bonds.

The government agreed, but while the matter was pending in Congress the bondholders requested that the amount to be set aside in the custom houses of Vera Cruz and Tampico for the payment of interest be increased from one-sixth to one-fifth. Congress thereupon passed a law providing for the payment of 20% of the customs duties received at the above ports, and promised again that in the future remittances would be made punctually.

Upon the passage of the law, the government considered it would be an opportune time to try to secure a reduction of the amount of interest due. On August 14, 1840, a confidential note was sent to Lizardi & Company requesting them not to convey the information regarding the new law to the bondholders, and urging the bankers to use all their ability and dexterity to secure a reduction of the amount of interest due, and to let the bondholders know that the government intended to make a sacrifice in their favor by increasing the proportion of the customs duties.

The psychology of the plan seems to have been wholly wrong, as indicated in a letter from Lizardi & Company asking how the matter could be arranged secretly without announcing the conditions which would induce those interested to agree to a reduction.

At the same time the government's plans for secrecy were upset through Messrs. Manning and Marshall, agents of the bondholders' committee in Mexico, who forwarded to their employers the text of the law as soon as passed.

The agents of the government, in accordance with instructions, began negotiations with the bondholders with a view to securing a reduction of the amount of interest due. Some of the bondholders had been paid in certificates, some had received payment for several coupons, and others for only one, so that a satisfactory adjustment was difficult.

However, on February 11, 1842, after prolonged discussion, an agreement was signed between representatives of the bondholders' committee and Lizardi & Company, agents of the government, providing in the most binding way for the payment of one-fifth of the customs receipts, instead of the one-sixth previously agreed upon. The bondholders agreed to accept 50% of the first eight interest coupons in new obligations of the government.

Bondholders who had received payment of their coupons in cash or custom house certificates, were to forego an equal number of coupons so that the adjustment would be equal.

Lizardi & Company published this contract and announced that they would pay the coupons due April 1, 1842. They also wrote to the government recommending immediate approval of the contract and asking that measures be taken to put into effect the provision of law regarding increased customs duties.

President Santa Ana submitted the matter to the Cabinet, which held that the government was not authorized to enter into such a contract because the preceding administration had not published the law providing for the increase in the proportion of the customs dues to be set aside. It was conceded that although the law was defective, it would be submitted to the first constitutional congress to determine whether the contract was in accordance with instructions.

The minutes of the Cabinet meeting are somewhat incoherent and it is difficult to extract the meaning, except that the Santa Ana Government repudiated the action of the Bustamante Government, and sought to justify their position by the flimsy excuse of non-publication.

Casasus states that this act created such a disagreeable impression upon the minds of Lizardi & Company that they did not have the courage to convey the news to the bondholders, convinced as they were that the conduct of the government would be acrimoniously assailed by the public press and completely discredit the administration.

What was to be done about the payment of the October coupons which Lizardi & Company had contracted to pay? If they should decline, they would have to explain that it was in accordance with the orders of the government, which would give publicity to the facts which they were withholding, and not only discredit the government, but themselves.

They had paid the April coupons in accordance with the provision of the contract, but with the contract repudiated, was this payment legal? How were the preceding coupons to be settled?

In this dilemma, Lizardi & Company could do nothing but announce the payment of the next coupon and await the "good or bad results which might occur."

The British Government now took the matter in hand to induce the Mexican Government to determine definitely whether or not it would ratify the contract of February 11, 1842, in order to stop the doubts and uncertainty which prevailed regarding this important matter.

The government on October 10, 1842, issued a decree accepting the contract of February 11, 1842, in view of the benefit it conferred upon the nation, "although the law under authority of which the contract was drawn, was illegal."

The total interest accrued during the period from April 1, 1838, to October 1, 1841, amounted to £924,737-16-8. Under the agreement one-half of this sum, £462,368-18-4, was to be paid in new deferred bonds. This did not liquidate all the interest due as shown by the following summary:

| | |
|---|---|
| Total interest accrued | £924,737-16-8 |
| Paid in deferred bonds | 462,368-18-4 |
| Balance | £462,368-18-4 |
| Paid in cash or custom house certificates | £316,615-10-6 |
| Balance of interest not paid | £145,753-07-10 |

As a matter of fact, Lizardi & Company issued £499,096 in bonds instead of the amount authorized. The settlement of the cash balance was lost sight of in the confusion which almost immediately occurred when it was discovered that the bankers had exceeded the bond authorization.

The decree of October 10, 1842, which the government believed would re-establish the credit of the nation by providing for the future regular payment of interest, was no more than published when trouble arose from a new source.

The London Stock Exchange became cognizant of the fact that more bonds had been issued by the bankers than was authorized by the law of 1837, and addressed an inquiry to Lizardi & Company as to the amount of bonds issued and their serial letter and number.

Lizardi & Company replied that they were surprised to receive such a communication, which never before had been received by the agents of a foreign country, and that they must decline to give the information requested, and, further, that they had at all times acted with the committee of bondholders. The Exchange was not satisfied with this statement and forwarded Lizardi & Company's letter to the committee, together with a copy of their inquiry.

The bondholders called a meeting to consider the matter, during which they were advised by Lizardi & Company that the Mexican Minister had signed bonds amounting to £11,000,000; one-half in 5% active bonds and one-half in deferred 5% bonds, and that "while not all of these bonds had been put into circulation, the total issue after the conversion could not exceed that amount."

The committee replied by quoting the original law which limited the total issue to £9,247,937 and supposed that this amount had not been, nor would be, exceeded.

Lizardi & Company replied that, having reported the amount of bonds placed in their hands by the Mexican Minister, they only could add that as soon as the conversion was concluded, they would report to the Mexican Government. They took the liberty of noting, however, that the statement submitted by the committee was in error, since the bonds which represented the commission for their service were not included. Having satisfied their amour propre and defined their status to oblige the committee they then advised that 5% active bonds to the amount of £5,254,500 had been issued and were in circulation.

The Stock Exchange next wanted to know how many deferred bonds had been issued, and Lizardi & Company stated that this issue was limited to £4,615,600 in accordance with the law.

This excess issue of bonds was the cause of claims and counter-claims and serious disputes for years. The claim of Lizardi & Company, for payment of a balance due them was not settled until 1867, when final liquidation was made by Emperor Maximilian.

This unauthorized issue of bonds appears to have been the result of a determination on the part of the bankers to collect their compensation for services rendered in the conversion of 1837, as well as in the capitalization of one-half of the interest accruing from 1838 to 1841.

In addition to the £5,254,500 bonds which Lizardi & Company admitted issuing, it appears that they subsequently issued the balance of £245,500, since the total amount of £5,500,000 was later recognized by the government.

| | |
|---|---|
| Amount issued | £5,500,000-0-0 |
| Amount authorized (5% active bonds) | 4,624,000-0-0 |
| Excess | £876,000-0-0 |

Mexican bonds (active) at this time were selling between 20 and 25% of their par value so that the sum realized was between £175,200 and £219,000, which latter amount is slightly less than their commission of 2½% of the amount involved in the conversion of 1837.

Compensation to the financial agents for their services was first fixed by the law of April 12, 1837, which allowed them to add 6% to the par value of customs certificates issued and to collect twelve "reales" or pesos 1.50 for each one hundred acres of land exchanged for deferred bonds, of which three "reales" were to be turned over to the Mexican Minister as compensation for his work.

Shortly after this law was published, Lizardi & Company requested that they be allowed a commission of 6% on the total amount involved in the conversion, to be paid equally in active and deferred bonds.

The Minister of Finance replied that the commission requested did not seem exorbitant, since it was to be paid in bonds which were selling at from 20 to 25% of their par value which would reduce the commission to between 1¼ to 1½%. On this basis the commission asked for was moderate and in consequence the President thought it should be approved.

Lizardi & Company's agent, after securing this communication, left Mexico for London, presumably to transmit this information to his employers.

After his departure the Council of State announced that, in view of the compensation already provided by law, it would be just and equitable to allow a commission of 2% payable in land at the rate of P. 1.25 per acre, or if the bankers preferred, 1% payable in cash, when the financial condition of the country permitted. This decision was communicated to Lizardi & Company, who now requested that their commission be fixed at 2½%, payable in cash.

As the agreement of 1837 was at this time still in the condition of having been rejected, the Council of State replied that because of this fact there would be no conversion, and, therefore, no commission.

Upon approval of the agreement of June 1, 1839, the government issued instructions for the conversion, and confined itself to requiring that a detailed statement be kept of expenses incurred by the bankers, without, however, indicating how they were to be paid. In fact, it stipulated that not a single new bond was to be issued, except in exchange for an old one, thus tacitly prohibiting the issue of bonds in payment of commissions. The question of commissions apparently did not come up again until the London Stock Exchange began its investigation in 1842.

After the bonds were issued, the government was obliged to back them since Lizardi & Company were its agents. This it did in two orders issued on October 10, 1842, the first fixing the commission for the conversion of 1837 at 2½% payable equally in active and deferred bonds, and 5% of the capitalization of interest payments in 1842, payable preferably from the proceeds of the additional 3½% customs duties, or in bonds.

These orders did not wholly clear up the matter, since Lizardi & Company had issued active bonds only, instead of dividing the issue.

In addition to these bonds, Lizardi & Company had also issued bonds amounting to £91,650 in part payment of the interest coupons which became due on April 1, 1843.

On July 29, 1843, President Santa Ana authorized Lizardi & Company to issue an additional £200,000 of bonds for the payment of interest on bonds issued or to be issued by them, and for the payment of the 5% commission allowed them by order of October 10, 1842.

These various issues of bonds were confusing, and the disputes as to the legality of some of them convinced the government of the necessity of determining the total amount of the British debt.

Accordingly, on December 15, 1843, a law was passed specifying and recognizing the British debt to be as follows:

| | |
|---|---|
| 5% active bonds | £5,500,000 |
| 5% interest bearing deferred bonds | 91,650 |
| Deferred bonds | 4,624,000 |
| Debentures issued for unpaid interest | 499,096 |
| 5% bonds in payment of commission for capitalizing interest | 200,000 |
| Total | £10,914,746-0-0 |

This did not, however, conclude the matter, since the Mexican chargé d'affaires in London declined to sign the £200,000 of bonds. The government then issued specific orders to him to countersign the bonds, but again he did not comply.

The many disputes with Lizardi & Company over the payment of interest, issue of bonds, etc., induced the government to change agents, and accordingly John Schneider & Company, of London, were appointed on April 5, 1845.

## 1843-1846

## CONVERSION OF 1846

Why was another conversion of the British debt necessary so soon after the passage of the law of December 15, 1843? The law authorizing the new conversion was passed April 28, 1845, yet the April and October, 1844, interest coupons appear to have been paid. Montellano indicates in one part of his book that these were not, and in another that they were, paid. Since these two coupons do not appear to have been the subject of negotiations, it is probable that they were paid, and it is so considered.

The coupon of April 1, 1845, then, was the only one in default when the new law was passed. It is probable that the change in administration and the desire to establish a reputation for financial ability, were the leading causes for the conversion.

The new law was short, definite, and provided for the consolidation of the debt, on the following basis:

1. Unpaid interest shall not be capitalized.
2. Interest shall not exceed 5% per annum.
3. The legal debt as it now stands shall not be increased.
4. No property of the nation shall be given in payment, nor shall any part of the national territory be mortgaged.

Manning and Mackintosh, who now represented the bondholders' committee, on April 29, 1845, made a proposal for a new loan of £4,000,000 bearing interest at 5%, payable in eighty years, with pledge of all revenues of the Republic and especially those from tobacco. The proceeds of the loan were to be used to retire all deferred bonds and outstanding debentures, and to pay the three coupons in default. The balance was to be liquidated as follows:

| Pesos | |
|---|---|
| 1,500,000 | In tobacco bonds. |
| 500,000 | In so-called 26% bonds. |
| 2,500,000 | In interest bearing obligations. |
| 500,000 | In non-interest bearing obligations. |
| 1,600,000 | In cash. |
| 6,600,000 | |

The proposal was approved by the government as soon as presented, and instructions were sent to Schneider & Company to proceed to secure the deferred bonds and debentures, in accordance with the contract.

Schneider & Company immediately stated that the scheme was impractical and recommended a change in the proposal. As the holders of the deferred bonds and debentures would receive a greatly reduced price for their securities without gaining anything, since the securities in question, in accordance with the agreement of 1837, would begin to draw interest in 1847, the bondholders would not agree to the new proposal.

By reason of the difficulties encountered in the carrying out of their proposal, Manning & Mackintosh, on September 20, 1845, withdrew their offer, asking at the same time for the return of P. 500,000 which they had advanced to the government.

The government now offered on September 29, 1845, a new agreement which was substantially the same as the foregoing, except that the amount was raised to £4,200,000.

This proposal was likewise declined by the bankers, who again asked for the return of the P. 500,000 advanced, stating, however, that they would offer some modification which would enable them to enter into a contract.

On March 5, 1846, a new Minister of Finance raised the amount of the loan to £4,650,000 with other conditions

unchanged. This proposal was accepted by Manning & Mackintosh and the government on the above date, and communicated to the agents of the government in London with an additional statement addressed to the Mexican Minister authorizing him to solve any difficulties presented in the conversion of the debt, in accordance with the contract.

The project was submitted to the bondholders on May 9, 1846, and rejected, mainly because it was not considered fair to the holders of the deferred bonds and debentures. They felt that the reduction in the debt should be distributed equally among all bondholders.

As the Mexican Minister believed he possessed full authority to conclude a satisfactory agreement, he then proposed on June 1, 1846, the creation of a new 5% bond issue, which was to be used as follows:

| Par | | Proceeds |
|---|---|---|
| £5,591,650 | Active Bonds at 90% | £5,032,475 |
| 4,624,000 | Deferred Bonds at 60% | 2,774,400 |
| 499,096 | Debenture at 60% | 299,457 |
| 489,269 | Interest in Default | ..... |
| £11,204,015 | Total | £8,106,332 |

| | |
|---|---|
| Old Debt | £11,204,015 |
| As Converted | 8,106,332 |
| Reduction | £3,097,683 |

The total amount of the new loan was fixed at £10,241,650, the difference of £2,135,318 being issued to Manning & Mackintosh to provide cash for the use of the government and to retire domestic obligations.

This proposal was embodied in a contract and signed by the Mexican Minister, Sr. Murphy, and by the duly qualified representative of the bondholders.

There were now two contracts outstanding providing for the conversion of the debt, one dated March 5, 1846, between the Minister of Finance and Messrs. Manning & Mackintosh for a bond issue of £4,650,000, and the other dated June 4, 1846, between the Mexican Minister in London and the bondholders' committee.

Shortly after the date of this last agreement, a revolution caused a change in administration, and the new Minister of Finance, Sr. Farias, on August 28, 1846, repudiated the contract executed in London, removed Sr. Murphy from office, transferred the agency from Schneider & Company to Manuel J. de Lizardi, and advertised that the Mexican Government proposed to effect a new settlement of its foreign debt.

Then followed another secretary and another decision. This new secretary, Sr. Haro y Tamariz, who succeeded Sr. Farias, approved the contract on October 29, 1846, and ordered a copy to be furnished to M. J. de Lizardi.

Still another secretary, Sr. Villamil, followed shortly, who disapproved the contract in effect by disapproving the approval of October 29th.

Casasus says that "these three contradictory orders which were successively received in London, during the months of September, November and December, 1846, signed by three different Ministers of Finance, produced an inconceivable but justifiable scandal."

The bondholders now submitted the matter to the British crown attorneys who held that a most important contract had been entered into between an independent State on one part and certain public creditors, subjects of a foreign country, on the other; that the contract had been fully ratified without a single condition by the State that had promoted and authorized the negotiations; that in accordance with the laws of man, neither of the contracting parties could withdraw from the agreement without the consent of the other, that no subsequent change in the interior government of the State that had entered into the contract, nor the opinion of its officials could give it the right to break the solemnly pledged word, which, if done, would constitute a flagrant breach of the most sacred and best established principles of international law.

The bondholders likewise held a general meeting and passed a set of resolutions upholding the actions of the Mexican Minister in London, Sr. Murphy, in entering into the agreement of June 4, 1846.

The war with the United States of America, which soon followed, prevented Congress from passing on the matter, and Santa Ana, again President, on July 27, 1847, issued a decree approving the contract which had been so long in dispute.

His approval was conditioned upon the consent of Messrs. Manning & Mackintosh, which appears to have been given on July 19, 1847. It likewise appears that these gentlemen took advantage of this opportunity to impose new conditions to their own profit.

The new debt amounted to £10,241,650 bearing interest from July 1, 1846, and was to be amortized each year by the purchase of bonds in the open market to the extent of $500,000. The principal and interest was to be secured by a general pledge of all the revenues of the government.

## 1846-1850.

## CONVERSION OF 1850.

The war between Mexico and the United States was now over, but the after-effects in Mexico were such as to make it impossible to pay interest and amortization charges on its foreign debt.

The larger portion of the lands of Texas, Chihuahua, New Mexico, Sonora and California, formerly pledged as security for the payment of part of its foreign debt, now belonged to the United States, which paid Mexico $15,000,000 (then equal to P15,000,000) as indemnity under the treaty of peace.

After the treaty of peace was signed, Mr. George B. Robinson, Chairman of the Bondholders' Committee, directed their agents in Mexico, Messrs. Manning & Mackintosh, to request the government to set aside for the bondholders 20% of the receipts of the custom houses at Vera Cruz and Tampico, and the receipts from tobacco, and to secure payment of the three coupons then in default with a part of the proceeds of the American indemnity. They held that since a portion of the territory ceded to the United States had formerly been pledged to the bondholders, the government could do no less than distribute part of this indemnity.

The Minister of Finance replied that orders had already been given respecting the separation of revenues, but that with regard to the American indemnity, the decree of June 16th prohibited the use of any part of the P15,000,000 without special authorization of Congress.

At the same time that this decision was made, the Mexican Minister in London addressed all the Consuls and Legations in Europe and stated that the Mexican Government would not and could not devote any part of the American indemnity to its British creditors, because it had in 1846 voluntarily renounced the pledge of the lands which had been transferred to the United States Government.

The bondholders, as a result of the above action, again consulted the crown attorneys with a view to ascertaining what their rights were under the mortgage of 1837.

The attorneys handed down an opinion to the effect that the conversion of 1846 had not destroyed the rights of the bondholders under the mortgage of 1837, and that consequently they should participate proportionally in the indemnity.

It is difficult indeed to see how this opinion is justified by the facts. The law of April 25, 1845, previously cited, provided specifically that no part of the territory of the Republic should be mortgaged. The conversion of 1846 was based upon this law, and since the bondholders accepted the conversion which eliminated the objectionable mortgage, they clearly waived their rights thereunder. The conversion was also made in consideration of increased payments and increased guarantees.

The bondholders, acting on the very favorable opinion of the British crown attorneys, held a general meeting on September 6, 1848, and resolved to send Mr. William P. Robertson to Mexico, to enter into an agreement with the government upon the grant of a portion of the indemnity.

Robertson arrived in March, 1849, and began negotiations with Secretary Pena y Cuevas, who conditioned the settlement of the debt upon the establishment of a National Bank.

Sr. Arrangoiz, who succeeded Sr. Pena y Cuevas within a short time, advocated a purchase of bonds in the open market with the proceeds of the indemnity, a reduction of the interest rate to 3½%, and a reduction of the amount of interest in default.

Continuous discussion led to an agreement being signed by Mr. Robertson and the Minister of Finance. Since it was not approved by Congress and not carried out, the details are not important. Robertson returned to London in October, 1849, and reported to the bondholders, who decided to defer the approval of the contract entered into by him until it was ratified by Congress.

In view of the opposition to this proposal by a number of bondholders, a new committee was formed called the Committee of Mexican Bondholders.

A special committee of the Chamber of Deputies now began a study of Robertson's proposals, and their conclusions were embodied in a law dated October 14, 1850, which constituted a rejection of his proposals.

This law provided that if the holders of the Mexican bonds issued in London and converted in 1846 accepted its provisions the government would pay over to them P. 2,500,000 of the American indemnity.

The conditions were as follows:

1. Interest shall be reduced to 3% on a total debt of £10,241,650, which is all that the Nation recognizes.
2. All unpaid interest up to the date of the signing of a new contract in accordance with this law, shall be considered paid with the P. 2,500,000.
3. For the payment of interest the following revenues are set aside:

(a) 25% of all import taxes from maritime and frontier custom houses.
(b) 75% of all export taxes, Pacific ports.
(c) 5% of all export taxes, Gulf ports.
(d) If the proceeds of the above are not sufficient, the balance is to be made up from the general revenues of the nation.

4. During the first 6 years the excess revenues under clause four, if any, shall be used for amortization purposes, and thereafter, P. 250,000 shall be remitted annually for amortization purposes.
5. The bondholders may appoint agents in the ports to receive funds collected.

The same day that the law was approved by the Senate, Francisco Falconet, representing the bondholders, arrived in Mexico and began working to secure a modification of the terms which would be more favorable to his employers.

The government, however, preferred to deal directly with the committee and forwarded a copy of the law to London, together with a note addressed to the chairman of the committee explaining the serious condition of the treasury, so that he would appreciate the sacrifice the nation would make in disposing of its best revenues to pay its debts.

The bondholders, in a general meeting in December, 1850, accepted the law of October 14, 1850, asking the government to consider bettering their condition when the finances of the State showed improvement.

Referring to the measures taken by the government to convert its debt, Casasus says that in view of the attacks made by the conservative press the government at that time could not, and should not, have acted in any other manner. The committee of bondholders would not have believed in promises or agreements, which, although made in accordance with express authorizations of the government, were rejected by it, approved by a new Secretary or disapproved by his successor in office. The memory was still fresh of the conversion of 1846, which was declared void by Gomez Farias, accepted by Haro y Tamariz, disapproved by Villamil and again approved by Santa Ana. The bondholders had not yet forgotten the capitalization of 1842, which was not ratified, nor the conversion of 1837, which was not approved until 1839.

The following statement of the conversion, though it does not agree with Casasus' account, is confirmed by Montellano in one part of his book, and yet apparently disavowed by him in another. The difference consists in the fact that Casasus only considers eight coupons, from July 1, 1847, to January 1, 1851. The law specifically states that interest shall begin on July 1, 1846, which makes nine coupons to January 1, 1851. If interest did not begin on the date fixed by law, it is apparent that interest on the old debt should be computed to the date the new debt began to bear interest:

| | |
|---|---|
| July 1, 1846, principal of debt | £10,241,650-00-0 |
| Accrued interest to January 1, 1851 | 2,304,371-05-0 |
| Total | £12,546,021-05-0 |
| Less: | |
| Remittance of cash during period from July 1, 1846, to January 1, 1851 | £393,015-12-0 |
| Part of American Indemnity, P. 2,500,000 at five to one | 500,000- 0-0 |
| Total Deduction | £893,015-12-0 |
| Total debt, July 1, 1851 | £11,653,005-13-0 |
| Reduction granted by bondholders | 1,411,355-13-0 |
| Amount of new debt | £10,241,650- 0-0 |

The reduction in the amount of the debt was unimportant in comparison with the reduction of interest as follows:

| | |
|---|---|
| 5% interest on £10,241,650—old debt..... | £512,082-10-0 |
| 3% interest on £10,241.650—new debt..... | 307,249-10-0 |
| Difference..... | £204,833- 0-0 |

Equal to P. 1,024,165.00 per annum.

Additional advantages were also secured in the matter of amortization charges. For six years, only the excess receipts after the payment of interest were to be used for amortization purposes, after which date P. 250,000 per annum, instead of P. 500,000 per annum, was to be paid, as stipulated in the law of 1846.

## 1850-1863.

## CONVERSION OF 1863

Manuel Payno was appointed by the government late in 1850 to proceed to London, effect the conversion of the debt, and pay over the P. 2,500,000 previously mentioned. He arrived in London on May 10, 1851, concluded the conversion and paid the first coupon, although to do this, he had to borrow £10,000.

The United States Government declined to pay the warrant for P. 2,500,000 in London on the ground that it was required to pay the indemnity in Mexico City in accordance with the terms of the treaty between the United States and Mexico. The government later turned over the specified amount in silver to the agent of the bondholders in Mexico during May, 1852.

Difficulties now arose over the exportation of the silver, which was subject to an export tax. When the matter was referred to Congress, it decided that the tax must be paid. The Minister of Finance, however, gave permission to export the silver tax free.

French, British and Spanish creditors of the government who, under various diplomatic conventions were entitled to a portion of the taxes, protested against this decision, and the lower house preferred charges against the Minister of Finance for violating various articles of the constitution. However, before he could be impeached, political changes resulted in his removal from office.

A serious disagreement now arose over the interpretation of Section 2 of the law of 1850, which reads:

"That said P. 2,500,000 with the funds already received to the date of this law and which may be received up to the date of the approval of the agreement which is proposed today, shall be exchanged in full payment of all interest accrued to the date of the approval of the agreement."

The Mexican Government construed this to mean all funds which had been received in London up to the date specified. The bondholders claimed all funds which had been collected for their account in Mexico to the same date, in accordance with previous agreements.

The committee submitted the question to the attorneys of the British Crown, who ruled that the bondholders were correct in their contention. This ruling, communicated to the Mexican Congress by the agent of the bondholders, produced no result.

Interest payments were met with difficulty up to December, 1853, after which they were again suspended on account of the revolution of Ayutla. Upon the establishment of a new government, about 1855, the bondholders again sought payment of their claims.

On January 3, 1857, the government issued a decree authorizing the bondholders to name agents in each of the ports of the Republic, with authority to collect the amounts due direct from the importers and exporters.

At this point a short review of political events from 1847 to 1867 is necessary to a proper understanding of Mexico's financial condition and of her policy relating to her foreign debt.

The war with the United States was concluded on February 2, 1848, by the treaty of Guadalupe Hidalgo. General Joaquin Herrera became President, June 3, 1848, and held office until December 31, 1850. He was the sponsor for the conversion law of 1850. Aristi was elected and took office January 1, 1851, and resigned in 1852 as the result of a revolution. In 1853, Congress elected Juan Bautista Ceballos, who was formerly President of the Supreme Court. He disliked the attitude of Congress and dissolved it. Congress met in a private house, declared Ceballos a traitor and elected as President Mugica y Osorio. This gentleman declined the office and Ceballos resigned. Manual Mario Lombardini then became Acting President, and secured the election of Santa Ana, who again became President on April 15, 1853.

Santa Ana played the role of a dictator, dissolving Congress, abolishing state legislatures, re-establishing the Jesuits, and adopting other measures to centralize and enhance his power.

Long before this there had been a strong movement on foot to establish a monarchy in Mexico, under the rule of a European prince. This plan was now revived, and Santa Ana appointed Gutierrez Estrada a special commissioner to negotiate with Great Britain, France, Austria and Spain to that end.

On December 16, 1853, Santa Ana declared himself "Perpetual Dictator," which caused another revolution and resulted in Santa Ana's departure from Mexico in August, 1855.

This revolution was the beginning of the general reform movement which terminated with the adoption of the Constitution of 1857. The Constitution of 1824, modeled upon that of the United States, was apparently not suited to the Mexicans.

The Catholic Church owned more than one-fourth of all the land in Mexico. Ecclesiastical and military courts had exclusive jurisdiction over offenses committed by the clergy and the military.

In 1856 the first reform law was passed which sought to crush the power of the church. In February, 1857, the new Constitution was adopted which, it was hoped, would remove many of the causes of past revolutions. It destroyed the dominion of the church, and by its democratic provisions antagonized all those who thought that a monarchy was the solution of the Mexican problem.

The monarchial and clerical parties now combined to fight the constitutionalists, and were strong enough to gain temporary success. Threatened by arrest, seventy constitutionalist deputies fled to Queretaro, organized under the Constitution and elected Benito Juarez as President on January 10, 1858.

Leaving Mexico City, Juarez proceeded to Vera Cruz, via Mazatlan, Panama and Havana and established his government at Vera Cruz on May 4, 1858. He was recognized as President of Mexico by the United States on April 9, 1859.

The adherents of the administration in power were known as the Reactionaries. The supporters of Juarez were known as the Constitutionalistas or Juaristas.

These were the two parties in the field, the first representing the church and army, and the other formed of a small group of intelligent men determined upon the establishment of a stable government.

The struggle between the two factions is known as the "War of the Reform" and was by all odds the bloodiest in the history of Mexico, except the conquest of Mexico by Cortes. Due to the church question, it partook of the nature of a religious war.

It was during this period that Juarez issued the decree nationalizing and sequestrating church property in Mexico, establishing civil marriage and providing for religious toleration and the secularization of cemeteries.

Juarez, successful in the field, called an election for President, was elected and installed in office during May, 1861.

In July, 1861, Congress suspended all payments on the foreign debt for two years which, although necessary, was soon followed by the foreign intervention of Great Britain, France and Spain. The treaty between these nations was signed in London on October 31, 1861. Spain secretly desired to establish an empire in Mexico with a member of the Bourbon family on the throne. France also planned to establish an

Empire, and Napoleon III secretly offered the crown to Ferdinand Maximilian, Archduke of Austria. The Spanish squadron appeared before Vera Cruz in the latter part of December, 1861, and the Spanish forces proceeded to occupy the city. The English and French fleets arrived during January, 1862.

With a view to arranging matters amicably, if possible, President Juarez invited the representatives of the invading nations to a conference which was held in Orizaba in April, 1862.

France demanded $12,000,000 with no specifications, in addition to $1,500,000 for the Jecker claim for funds advanced to Juarez's opponents, although it was proved that only one-half of this latter amount had been delivered.

It being evident that France was determined on war, Great Britain and Spain withdrew. The first battle of the war was won by Mexico on May 5, 1862, but French reinforcements resulted in the capture of Puebla in May, 1863, and the entrance of French troops into Mexico City during the next month.

Juarez successively established his government in San Luis Potosi, Saltillo, Monterey, Chihuahua and Ciudad Juarez, just across the border from El Paso.

The United States Government, of course, vigorously opposed the establishment of an empire in Mexico, but could do little more than protest while the War of the Rebellion was in progress. The Washington authorities consistently treated with the Juarez Government as the de facto government of Mexico, and aided it with money and arms. At the end of the War of the Rebellion, in 1865, the United States had a formidable army of veterans which could take aggressive action to support its views. President Lincoln had already declared that the occupation of Mexico by the French was an offense to the people of the United States and he now demanded that the French troops be withdrawn without delay.

Napoleon III yielded to this demand and ordered the French troops withdrawn. Maximilian, badly advised, decided to continue the fight and after varying fortunes, surrendered to Juarez on May 15, 1867. He was convicted by court-martial and executed June 19, 1867.

To what extent the foreign debt situation influenced Great Britain to intervene with France and Spain, is not apparent. It was probably one of a number of factors which brought matters to a crisis, but it certainly was not the only reason nor the most important one.

All three nations presented claims during 1861-1862. Great Britain demanded reparation for the taking of P. 660,000 from her legation in Mexico City by one of the generals opposed to Juarez. This money had been collected by Juarez and had been turned over to the British legation for British bondholders.

Another purpose of the intervention was to secure the payment of amounts due to the subjects of the subscribing nations in accordance with diplomatic conventions.

From time to time during the preceding years these conventions had been entered into, providing for the payment of amounts claimed to be due to citizens of foreign countries. When payment was suspended on all foreign indebtedness in July, 1861, there were a number of such treaties in force, providing that payment should be made in the usual way by a percentage of the customs receipts.

The following statement, showing the commitment against customs receipts, is taken from Mr. Payno's book on "Mexico y sus Cuestiones Financieras":

DUTIES ON GOODS BROUGHT IN BY FRENCH VESSELS.

| | |
|---|---|
| British debt | 25% |
| British convention | 29% |
| French convention | 25% |
| Spanish convention | 8% |
| British debt for payment of arrears | 5% |
| Total | 92% |

DUTIES ON GOODS BROUGHT IN BY VESSELS OF OTHER NATIONS

| | |
|---|---|
| British debt | 30% |
| British convention | 29% |
| French convention | 8% |
| Spanish convention | 8% |
| Total | 75% |

If the additional charge agreed to by the party in opposition to Juarez for the payment of the Jecker claim had been assessed, the total customs receipts would not have sufficed for the settlement of these claims.

As the customs duties were the principal source of revenue in those days, it is clear why payments were suspended. Customs revenues were further reduced by the vicious practice which prevailed up to a comparatively recent date of selling custom house certificates at a discount.

We can now return to a discussion of the events leading up to the conversion of 1863, with a reference to the legal aspects of intervention for the payment of loans made by foreign citizens.

After the law of July 17, 1861, was passed, suspending payments to all classes of creditors for two years, the British Minister, Sir Charles Wyke, began negotiations with the Mexican Secretary of Foreign Relations, with a view to securing a modification of this law. On November 21, 1861, an agreement was signed but not ratified, known as the Zamacona-Wyke convention, providing for the payment to British representatives of a portion of the customs revenues in accordance with former agreements, and practically nullifying the law of July 17, 1861. Casasus states that this agreement was

rejected by Congress and that Sir Charles Wyke presented an ultimatum shortly afterwards.

The sequence of events thereafter is not clear. On November 23, 1861, Congress passed a law repealing the provisions of the law of July 17, 1861, relating to the diplomatic conventions and the British debt, and directing that payments be made immediately in accordance with laws and conventions in force prior to that date.

About a month before Congress took this action, the treaty between Great Britain, France and Spain, for intervention in Mexico, had been signed in London on October 31, 1861.

The ultimatum of Great Britain submitted by Sir Charles Wyke is interesting as indicating the measures considered necessary at that time to secure payment of amounts due. Its terms were as follows:

1. The immediate repeal of the law of July 17, 1861.
2. Commissions to be established in the ports of the Republic to be appointed by the British Government to secure the payment of amounts due under diplomatic conventions.
3. That such commissioners shall have the right to reduce the dues imposed by the present tariff, one-half or less, if considered necessary.

The above ultimatum does not include any reference to the payment of interest on the British debt. As stated above, this note was presented about one month after the intervention agreement was signed by Great Britain, France and Spain.

The Zamacona-Wyke convention is the only one of a number of agreements entered into between the British diplomatic representatives and the Mexican Government in which the payment of interest and amortization charges on the British debt is mentioned, but this convention was not ratified by either of the two countries interested.

It does not appear that the settlement of the British debt was ever made the subject of a treaty between Great Britain and Mexico, but a precedent for such action was established by a treaty of 1851 between the two countries providing for the settlement of a loan of P. 2,000,000 made by Montgomery, Nicod & Company to the Mexican Government.

What conditions surrounded this loan which induced the British Government to act, while it consistently refrained from official action to secure payment of the British debt, are unknown.

The committee of Mexican bondholders in London made repeated attempts to induce the British Government to take measures to secure payment of their claims. The policy of the government, as indicated by Lord Russell on several occasions, was that the claims of British subjects against a foreign gov-

ernment for the repayment of sums voluntarily loaned with interest due were not matters justifying governmental action.

The bondholders held a meeting in conjunction with merchants of Glasgow, Liverpool and Manchester, in September, 1861, and petitioned Lord Russell not only for the guarantees which they had repeatedly requested, but also for intervention in Mexico by Great Britain to reestablish public order, afford protection to British subjects and defend the sacred interests of humanity.

Lord Russell replied in substance:

"That Her Majesty's government had the right under treaties and in accordance with all the laws which ruled international relations to demand the security of persons and property of British subjects and compliance with special obligations contracted by Mexico; that Her Majesty's government would exercise this right, but did not think it would be wise to intervene in the interior government of Mexico.

"You think that a protecting force, although small, with the simple object of maintaining the public tranquility, would be sufficient to accomplish the purpose. A large army would not be sufficient to restore tranquility. This is a task for the Mexicans themselves. There are very few cases where foreign intervention is beneficial, and in these few cases it is necessary that a large and numerous party exist prepared to approve foreign aid. I am obliged to state that I see no proof that a party like this exists in Mexico.

"Her Majesty's government, therefore, will limit its action to the clear and legitimate purpose of demanding from the Mexican Government de facto, even if not regularly organized, respect for the persons and properties of British subjects in Mexico and compliance with obligations which have been contracted." (1).

After the intervention treaty of 1861 was signed, the bondholders again presented their claims to Lord Russell, with the statement that their settlement should be included as one of the objects of the intervention.

His reply was to the effect that he could not enter into a detailed discussion with the bondholders; that Sir Charles Wyke had been given ample discretion to do what he could regarding Mexican claims, and that such instruction should not be fettered with special instructions regarding details.

Nevertheless, there was a great difference between claims founded on agreements between the Mexican government and British subjects, in which the latter were responsible for all the risks incurred to obtain the consequent profits, and those other claims which had been recognized by British Ministers accredited to Mexico, or government employees, and which had also been approved and ratified by the Crown.

(1) Translated freely from Casasus' "Historia de la Deuda Inglesa." English original not available.

Regarding the same matter of securing payment by forcible measures, Lord Palmerston before Parliament said that the British Government never had taken measures, nor would it, to require the government of Mexico to settle claims of persons who, by voluntary act, had loaned funds to the government of the Republic, nor could the failure to pay such debts ever be considered as a reason for war.

The intervention treaty likewise contains no direct reference to the British debt, although the language used would permit action to be taken towards securing a settlement if desired.

The preamble states the purpose of the treaty, which was to demand from the authorities of Mexico better protection for the persons and property of subjects of the contracting nations, as well as compliance with obligations which the said Republic had contracted with them.

The high contracting parties being desirous that the measures to be taken should not be exclusive, invited the United States to become a fourth member of the concert, but Secretary of State Seward declined in the most positive terms.

So much for the position of Great Britain. The attitude of France regarding her claims at that time, including the Jecker claim, has been universally condemned and affords no precedents worthy of emulation.

Jecker was a Swiss who had loaned some money to the Mexican Government upon disgraceful terms. Not being able to recover, he approached the Duke of Morny, the illegitimate brother of Napoleon III, and offered him 30% of all sums recovered, if he should induce his brother to intervene in Mexico for that purpose. This appears to have been the inception of the intervention idea, which subsequently resulted to the great financial advantage of Jecker and the Duke of Morny.

If the British Government officially refrained from using forceful means to collect interest due British subjects by the Mexican Government, those subjects did not refrain from using the intervention to secure a settlement.

Before the new Emperor could sell a new bond issue in Europe to provide funds for the enterprise, it was necessary to reestablish confidence in Mexican securities by providing for bonds already in circulation.

Maximilian took the oath of office in the castle of Miramar on the Gulf of Trieste, on April 10, 1864, and on the same day signed what is called the Treaty of Miramar, by which he agreed to pay the Jecker claims, reimburse France for the expenses of the intervention, pay French troops in Mexico, and issue 3% bonds in settlement of unpaid interest on the British debt, at the rate of £100 of new bonds for every £60 of interest outstanding.

The fact that the British bondholders accepted Maximilian's terms, received new bonds for their unpaid interest and

indirectly aided him in his project of abolishing constitutional government in Mexico, was used after the second empire had collapsed as an argument why the British bonds and interest should not be paid. The basis for the argument was that the British bondholders had violated the laws of neutrality.

The computation of unpaid interest in accordance with the Treaty of Miramar was as follows:

| | | |
|---|---|---|
| Amount of debt, January 1, 1851, after conversion | | £10,241,650-0-0 |
| Interest accrued to July 1, 1863 | £3,840,618-15-0 | |
| Interest paid to July 1, 1863 | 921,748-10 | |
| Balance of interest due | £2,918,870-50-0 | |
| Capitalized at 60 | | 4,864,800-0-0 |
| Total debt, July 1, 1863 | | £15,106,450-0-0 |

What happened to the various agreements and laws providing for the setting aside of portions of the customs revenues for foreign bondholders is not apparent.

## 1863-1885.

After the conversion of 1863, the Mexican Imperial Government appears to have paid the interest on the 1851, as well as on the 1864 bonds until July 1, 1866.

Napoleon III had by this time become tired of the Mexican enterprise and the constant need of furnishing funds to Maximilian. The War of the Rebellion in the United States had terminated in 1865 without the dismemberment of the Union, which he had counted upon to aid his Mexican project. Congress took active measures to force France to withdraw, and Marshal Bazaine, in 1866, began to concentrate his troops for transportation to France.

Maximilian's death in June, 1867, was followed in July of that year by President Juarez's return to Mexico City after an absence of five years. In August he called a general election, was elected, and began a new term as President in December, 1867.

Negotiations with the Mexican Government were again begun by the committee of bondholders early in 1868, but the old subject of unpaid interest was now complicated by questions as to the legal position of the bondholders as a result of their dealings with the "Usurper Maximilian."

Casasus discusses this question in detail with great ability, and quotes from communications of the government to the bondholders and from statements made by public officials at the time.

In view of the situation which now exists in Mexico relating to the validity of securities issued by the "Usurper Huerta," this phase of the Mexican debt policy is of particular interest at present.

Was the act of the bondholders in accepting new bonds from the Emperor of Mexico in payment of unpaid interest

coupons a violation of the laws of neutrality? Mexican writers assumed that such exchange was a material aid to the Usurper in seeking to supplant a regularly organized government.

Matias Romero, Minister of Finance in 1868, wrote to the Committee of Bondholders to the effect that since the bondholders had entered into a new convention regarding the debt with the Usurper Maximilian, who never had the right to obligate the nation, and in this manner lent their aid and co-operation, they had placed themselves in a difficult position which could only be settled through negotiations and mutual concessions.

The bondholders took the position that they could not be held responsible for an arrangement proposed under conditions which left them no liberty of action.

Casasus quotes several authorities on international law and concludes his presentation of the case as follows:

"In effect, as we have seen previously, the loan of Glyn Mills (the English agents for the imperial loan of 200,000,000 francs) was made in order to furnish necessary funds to Emperor Maximilian to continue the unjust war against the Republic, that is to say, to continue committing hostile acts against one of the belligerents. Therefore, as the acquiescence of the bondholders was indispensable to the success of the loan, and the Emperor proposed the capitalization of unpaid interest coupons to secure their assistance to the accomplishment of his aims, their acceptance made them co-authors of the hostile act directly executed by the subscribers to the loan.

"Nor could they allege ignorance regarding the war in which the Republic was engaged, because the British Government had received a communication directed by Minister de la Fuente to all European governments explaining the reasons which had occasioned the departure of the government from the capital of the Republic; because, in addition, England had not officially recognized Maximilian and lastly, because a few days before the bonds of the loan were placed in circulation in the London market, Senor Jesus Escobar Armendais published a protest in the name of the government against the loan.

"The present case is not the only one which has occurred in the world. Among others may be cited that of Spain in 1821. The constitutional government at that time had issued in London 7% and 5% bonds for a purpose hostile to Fernando VII, and these acts executed by British subjects in England were characterized by the Holy Alliance as a violation of the laws of neutrality, and the loans were, in fact, repudiated by Fernando when he returned to the government of Spain."

It is not the purpose of this report to show whether Casasus is correct in his conclusion. International law is a collection of precedents accepted by civilized nations as indicating the rules

which should be observed in their dealings with each other. The acts of nations in dealing with similar situations in the past have not been such as to indicate that these rules are unchangeable. A neutral state may not loan money to a belligerent state without violating the laws of neutrality. Subjects of a neutral state may lend money to a belligerent state at war with another state, but may not lend money to subjects of a state in order to assist them in prosecuting a war against their own government. If the subjects of a state in revolt against their own government had been recognized by the government of the citizens lending the money, then the loan of money was the act of a neutral.

During the Civil War the Confederate States negotiated a loan without interference in London, Frankfort, Paris and Amsterdam. Since they had been recognized abroad such financial assistance was not considered a violation of neutrality.

Maximilian had not been recognized by Great Britain at the time the loan was made. This difficulty, however, is met by Calvo, who holds that as a neutral state cannot control the acts of individuals in certain commercial transactions, neither can it be held responsible for the consequences of their acts.

Casasus concludes that the action of the British bondholders in reference to the Mexican Imperial Loan was a violation of neutrality. He does not hold the British Government responsible for the acts of its subjects, but proceeds to discuss the penalty which the Mexican Government may impose upon those British subjects who took part in the operation.

President Juarez, on December 28, 1868, stated to the representatives of the bondholders that in making agreements with the Usurper Maximilian they had voluntary rescinded all agreements which they had with the government of the Republic, not only in accordance with Mexican laws, but also in accordance with the rights of man. They violated their agreement, not only by recognizing an intruding and illegitimate power which was an enemy of Mexico, but because they had up to a certain point given this enemy their moral support, thus contributing to make it appear before the world as the rightful government of Mexico.

The holders of bonds found it convenient to make agreements of a special character with the Usurper Maximilian as Emperor and these agreements in the judgment of the government of Mexico changed the character of the obligations previously existing between the government and the bondholders.

"By virtue of the acts of the bondholders themselves the government of Mexico considers that the stipulations which existed between the bondholders and the government have been rendered void and that it will be necessary to enter into new agreements to define the rights and obligations of both parties.

"The government of Mexico is disposed to concede all that is just and equitable and has no doubt that the bondholders for their part are animated by the same desire, which will facilitate a settlement of this matter."

Juarez declined to assume any responsibility for obligations incurred by Maximilian, as well as responsibility for the payment of interest during the time the bondholders had accepted another debtor.

Juarez continued:

"Because the bondholders had recognized an intrusive and enemy authority as the government of Mexico, and by this act had rendered moral aid which contributed largely to prolonging the war of intervention and making it more sanguinary, the bondholders are partly responsible, possibly without such intention, for the misfortunes which afflicted the Republic during this war and which helped to create the state of prostration and annihilation which has resulted from the said war.

"Nothing else, therefore, is more natural, granting that they contributed to create the bad financial conditions which now exist in the Republic, than that they should also suffer a part of the consequences of their acts, thus giving a necessary respite so that she can again resume the payment of her legitimate debts."

The above statement of President Juarez refers more particularly to the validity of agreements which had existed before the intervention, providing for the separation of certain portions of the public revenues for the benefit of bondholders and other creditors as stipulated in a number of diplomatic conventions.

Whether or not the bondholders had violated the laws of neutrality and thus lost their rights as creditors of the succeeding government became an academic question for students of international law when the government finally recognized the validity of the British debt as it existed after the Convention of 1850.

Such official recognition had been granted by the Minister of Finance some time prior to the statement of President Juarez.

The statement referred to was not accepted as final by the Committee of Bondholders, who insisted that the Mexican government, in view of a number of favorable opinions by Mexican and British lawyers, should again study the matter. The government replied on February 28, 1869, to the effect that it had not changed its opinion.

The agent of the bondholders then laid his case before Congress, which upheld the opinion of the Executive. He next proposed a settlement of their claims by an arrangement which provided for the construction of an interoceanic canal across the Isthmus of Tehuantepec, the concessionaires to pay the bondholders all back interest up to 1870 and the government

to recognize the debt and interest. This proposal was rejected at a general meeting of the bondholders as being impracticable.

Various other proposals were presented and discussed during 1870 and 1871 without result.

In July, 1872, President Juarez died, and Sebastian Lerdo de Tejada, President of the Supreme Court, became President of the Republic. He called a special Presidential election and began a four year term in December, 1872.

In January, 1876, Porfirio Diaz headed a revolution against Lerdo which resulted in Lerdo's departure for the United States and Diaz' entrance into the Capitol in November, 1876. In the following April Diaz was elected President for the four year term ending November 30, 1880.

Casasus states that the government did not again give serious consideration to the settlement of the British debt until after Diaz was established in office, when the assiduous bondholders began a new series of negotiations.

For the first time in its history there now appeared in Mexico an appreciation of the real errors which had always characterized its financial policy. Its debts had imposed a greater burden upon the revenues of the nation than could be discharged therefrom.

Romero, the Minister of Finance in 1878, presented the problem in a statement to Congress as follows:

"The necessity of complying punctually with agreements to establish the credit of the country, the relatively large sums necessary to pay interest on the debt, the great difficulty under the existing conditions in the nation of paying interest. Would it be better not to enter into an agreement than to make one and break it?"

The country needed development to provide the necessary resources, and to accomplish this purpose Romero suggested to Congress that the creditors of the nation should assist in the construction of public works, with the idea that the increase in revenues resulting therefrom would insure the payment of interest on the debt without too great a strain.

Continuing, Romero said:

"The Nation is now in the condition of a debtor who owns undeveloped resources sufficient to pay all his debts and place him in a state of opulence, but without the indispensable means of realizing on his assets. In such cases the debtor frequently requests an extension of credit to enable him to open up the fountains of riches which are closed because of the lack of the things needed to make them productive."

He concludes his statement by advocating the construction of railroads which would put the centres of population in communication with the coast, would develop interior commerce and, among other things, the use of products which could not then bear the high charges of transportation.

The bondholders apparently accepted the ideas presented regarding the fundamental weakness of Mexico's financial situation and the necessity of internal development. Their ready acceptance of the suggestion, however, in view of the proposals submitted by them, was probably due to the same reason which had guided their action for 50 years personal gain.

The first proposal was for a railroad from Mexico via Toluca to the Pacific Ocean, for every 50 kilometers of finished railroad the government to redeem £100,000 of outstanding government bonds at par.

This proposal was modified several times by the government and the bondholders. It was finally whipped into shape and accepted by the agent of the bondholders.

When the contract was published, however, the bondholders rejected it and informed the government that their agent had exceeded his instructions.

The next attempt to settle the British debt was in connection with the establishment of a National Bank. This does not appear to have been approved.

The agent of the bondholders, having secured additional powers from London, now resumed his negotiations regarding the construction of railroads. Congress was not in session to approve the proposal, and negotiations were finally discontinued when the government gave a concession for the road to Messrs. Symon, Sullivan and Palmer.

In June, 1880, the government appointed a commission to prepare a plan of recognition, liquidation and conversion of the entire national debt.

In October they submitted a project for a consolidated debt bearing interest at 3% with the recognition of all accrued interest from July 1, 1851, to June 30, 1880, which apparently was never seriously considered by the government.

Towards the end of 1882, Senor Cervantes left London for Mexico with a plan which the President of the Committee of Bondholders thought would be accepted, if presented by the government. This plan contemplated an issue of £18,000,000, of which £2,000,000 were to satisfy certain claims not included in the conversions of 1851-1864.

This proposal reached Mexico too late to receive the attention of Congress, and Cervantes, accompanied by Senor Rivas, friend and private secretary to President Gonzalez, returned to London early in 1883 and signed a contract shortly after his arrival providing for the issue of a 3% consolidated loan of £20,000,000, of which £15,300,000 were to be used for the conversion of the old debt.

The Minister of Finance in a report to the President held that under the authority of Congress the issue of bonds in excess of the amount of the old debt was illegal. He had the good sense also to point out that at the price the bonds were then quoted in London the government would have to issue

£4,000,000 in bonds to secure £1,000,000 in cash with interest at 12% actually instead of 3%.

In view of this criticism the terms of the contract were modified and authority sent to Senor Rivas to sign the modified contract, if accepted by the bondholders.

The contract already signed by Rivas had been approved at a general meeting of bondholders on May 18, 1883. The rejection of this contract by the government after it had been properly executed, in the opinion of the bondholders, caused a fresh scandal in Great Britain similar to others which had occurred in the past.

The Committee of Bondholders believed that they were the victims of a new fraud perpetrated by the government. Rivas, in the presence of witnesses, stated that he had received a telegram from the President to the effect that notwithstanding rumors to the contrary, the contract was irrevocable.

Naturally, the committee now wanted to be informed of the nature and extent of the powers conferred upon Senor Rivas by the President.

Senor Rivas left London and advised the Committee that his health required a visit to Carlsbad. The committee sent a representative there, but he had left the night before for Paris. The committee immediately ordered its secretary, Mr. Holmes, to proceed to Paris. After four or five days Mr. Holmes advised the committee that Senator Rivas had received certain authorizations, but he was unable to secure a copy. Finally, on September 19th Senor Rivas submitted a statement to the committee to the effect that some substantial modifications in the contract were necessary before it could be approved.

A deputation of the bondholders called upon Senor Rivas and in the presence of all his friends urged him to furnish them with a copy of his authority to negotiate, advising him at the same time that they were disposed to solve any difficulty presented.

Senor Rivas expressed himself most cordially and stated that he was extraordinarily obliged to the deputation for their frankness, and promised to consider their suggestions and communicate them to the President.

After the contract referred to had been signed by Rivas, but before it had reached Mexico, the Mexican Congress had passed the law of June 14, 1883, prescribing the basis for conversion of the debt, by which the Executive was authorized to:

1. Fix the form, condition and time for the examination, recognition, liquidation and conversion of the debt.
2. Consolidate the total debt in new bonds bearing interest at 3%.
3. Whatever the origin of the credits and the nationality of the bondholders the whole debt was to preserve its Mexican quality without international character,

nor should special revenues be assigned for the payment of interest.

The prohibition against the pledging of certain revenues, together with certain other provisions of the law limited the action to be taken to that of conversion only, without authorizing an additional indebtedness, and served to discourage further action by the administration in power until Eduardo Noetzlin, director of the French-Egyptian Bank, arrived in Mexico to consolidate the National and Mercantile Banks under the name of the National Bank of Mexico.

On June 10, 1884, a new contract was signed providing for the issue of £16,500,000 with interest beginning at 1% and increasing to 3% after the fifth year.

This contract, like the preceding one, recognized the validity of the bonds of 1851, as well as those issued in 1864 by Maximilian, with interest to the date of conversion. An amendment provided for £700,000 additional.

As soon as the terms of this contract became known in Mexico a storm of opposition arose. The rate of conversion was exorbitant, the contract contained clauses humiliating to the nation, a part of the customs revenues was pledged, and the amount to be issued was in excess of the outstanding debt authorized by law. In addition, the Maximilian bonds of 1864 were recognized contrary to the decision of Juarez.

The excess issue amounted to £2,952,000, of which £700,000 was to belong to the government to pay the first interest coupons on the new loan, while the balance £2,052,000 was to go to Noetzlin to pay the expenses and commissions of the transaction.

The opposition to this contract became practically an insurrection, in which the students of the University took part, and the historian cites this event as evidence of an awakened national conscience. It certainly was a healthy sign that the old style of vicious contracts would no longer be tolerated.

The result of the popular opposition was that the settlement of the national debt was postponed until after Porfirio Diaz had been inaugurated for his second term.

The Committee of Bondholders was notified that since the contract required the approval of Congress during its first term, which had terminated without action, it was considered null and void.

With this frank and explicit statement, says Casasus, the government terminated a negotiation which had not only caused more than disturbances in the interior, but, as always, dishonor and discredit abroad.

The rejection of the Rivas and Noetzlin contracts, added to similar previous occurrences, still further reduced the credit of the nation, particularly in Great Britain.

There is no doubt, however, in view of the condition of the country, that this rejection was necessary, and the act

indicates the beginning of a new and more business-like financial policy which continued throughout Diaz' regime.

The settlement of the British debt was finally provided for in a decree issued by President Diaz on June 22, 1885, under authority of the law of June 14, 1883.

Before discussing the law it may be well to quote from the message sent to Congress by Manuel Dublan, Minister of Finance, which shows the reasons why the passage of this law was urged.

"While the state was weighed down by the floating and funded debt, without a plan of payment, it was impossible to re-establish the credit of the nation and regularize the administration.

"From information at hand, the deficit for the year, which shortly terminates, will be more than P25,000,000. If this balance should be carried over to the next year it would be impossible to provide for the regular needs of the service.

"The executive acknowledges that justice is on the side of each one of the creditors of the nation in demanding payment of his claims, but between the duty of preserving the government and the claims of the creditors, he has not hesitated to decide which of these two interests is paramount.

"Thus it is that the President of the Republic confronted by financial difficulties which he did not create, counting on the patriotism and self-denial of public officers, believes that the remedy for our difficulties will be found in the consolidation of the floating debt and the adoption of a general plan of economy by making a prudent and proportional reduction in the salaries of all from the Supreme Magistrate to employees drawing a salary of P500 per annum.

"The government does not repudiate legitimate obligations, it only postpones their settlement, compelled by the inevitable law of necessity. To overcome the difficulties of the moment the government has begun to introduce administrative economies and to reduce salaries and, in view of the justice of the claims whose payment has been postponed, it has fixed a rate of interest and amortization therefore, and has entrusted this service to the National Bank of Mexico.

"The above measures alone are not enough to restore our disordered finances to their natural level, but they will undoubtedly help and will permit regularity of payment in the future.

"Convinced of this, and believing that without the settlement of the public debt a renaissance of public credit cannot be expected, without which foreign capital so necessary for the development of enterprises in the country will not have sufficient confidence to come and animate us, the President has decided to exercise the powers conferred upon him by the law of June 14, 1883."

The new decree was dated June 22, 1885, and provided for

the consolidation of all the debts of the nation incurred up to July 1, 1882. It specified the debts which would be recognized and fixed the basis for conversion.

Nineteen different bond issues or other documents of indebtedness were specified. The bonds of 1851 were to be exchanged at par. Interest coupons unpaid from July 1, 1854, as well as other unpaid interest, were left to special arrangements to be made with creditors.

On June 23, 1886, an agreement was signed with the Committee of Bondholders in London whereby they accepted the following conditions:

1. The £4,864,800 3% bonds of 1864 to be exchanged for new 3% bonds of the consolidated debt at the rate of £100 of old bonds with all coupons attached for £50 of new bonds.
2. Unpaid interest coupons from July 1, 1866, to July 1, 1886, amounting to £6,144,990 to be exchanged for new 3% bonds of the consolidated debt at the rate of 15%.

The agreement further provided for the exchange of remnants of prior bond issues which had not been converted in former years.

The government reserved the right to fix the date for the exchange of 1851 bonds for the new 3% bonds, provided that the exchange was effected prior to December 31, 1890; also, until the date mentioned, to purchase the 1851 bonds or the new bonds which were to be issued at the market price; and, further, to redeem both classes of bonds issued at 40% of par. After this date the rate was to be increased to 50%.

The new 3% consolidated debt bonds were authorized by decree of January 29, 1886, with a total issue of P150,000,000, the principal of the bonds to be accepted at par by the government for the payment of land. Coupons were made legal tender for the payment of taxes up to 5% of the total taxes collected. Bonds were to demonstrate their value in American, British and Mexican money, and interest was to be paid semi-annually, January 1st and July 1st in Mexico City, New York or London.

In view of the provision of the law regarding the use of equivalent foreign values and the payment of interest abroad, it would appear that the provision of the enabling act passed by Congress on June 14, 1883, specifying that this loan was to be purely Mexican without any international character, was not fulfilled.

In the actual conversion of the debt the 1851 bonds were not exchanged for the new 3% bonds. Apparently some understanding existed between the bondholders and the government, or the government found it expedient to settle its foreign debt in a different manner, since a new 6% loan of £10,500,000 was authorized by law on December 13, 1887, the proceeds of

which were to be used to retire the British debt and to pay off interest bearing floating indebtedness.

The 1864 bonds and unpaid interest coupons were converted into the new 3% consolidated debt bonds which shortly afterwards were redeemed with the proceeds of the new 6% issue of 1888.

This latter loan indicates that the Mexicans had finally determined to break loose from their British creditors, who had been the bankers of the Mexican Government since 1823.

The synopsis of the loan is as follows:

Syndicate formed by Baron Bleichroeder of Berlin.

| | |
|---|---|
| Title | Consolidated Exterior Mexican Debt. |
| Amount | £10,500,000. |
| Interest | 6%, first coupon July 1, 1888. |
| Payments | 1st of January, April, July and October. |
| Amortization | One-half of one percent. (after 1893) of the par value of bonds issued. |
| Purpose | To pay current indebtedness amounting to about P13,000,000. |
| | Redeem 1851 bonds and part of 1886 bonds. |
| | Balance, if any, for public works. |

Of this issue £3,700,000 bonds were sold to Bleichroeder & Company at 70%, funds to be transferred to the Mexican government in four equal parts in three, four, five and six months, £55,000 to be retained by Bleichroeder from the first and third credits to pay the first and second coupons. Bleichroeder took an option on the balance of the loan $6,800,000, at 86½%, with the right to pay over to the government bonds with interest coupons attached, at 40% of their par value, in accordance with the agreement with the bondholders.

That is, £200,000 in bonds at this price would produce £173,000 in cash, for which Bleichroeder agreed to turn over to the government old bonds amounting to £432,500.

The first emission was sold at 78½ by the bankers and was over-subscribed twenty times. The subscription lists in Berlin were open fifteen minutes, while in London they closed at noon.

What caused such a startling reversal of all previous practice? It was probably due to the clear cut business-like dealing with financial matters, instead of the child-like negotiations of former years, a well defined policy regarding the use of the proceeds, surplus funds in Europe seeking investment and clever advertising and manipulation.

The last conversion of the British debt had taken place in 1863. From that time until 1886 no payments had been made on account of interest or principal. The successive steps in the new operation were as follows:

SUMMARY OF DEBT DECEMBER 31, 1885.

| | |
|---|---|
| Principal: | |
| Bonds issued under law of 1851 | £10,241,660-0-0 |
| Bonds issued by Maximilian, 1864 | 4,864,800-0-0 |
| Total | £15,106,450-0-0 |
| Interest: | |
| On 1851 bonds, January 1, 1866, to December 31, 1885 | £6,144,990-0-0 |
| On 1864 bonds to December 31, 1885 | 2,918,880-0-0 |
| Total | £9,063,870-0-0 |
| Total debt December 31, 1885 | £24,170,520-0-0 |

DEBT RECOGNIZED BY BRITISH AGREEMENT JUNE 23, 1886.

| | Pound Sterling |
|---|---|
| 1851 bonds at par | £10,241,650-0-0 |
| 1864 bonds at 50% of par | 2,432,400-0-0 |
| Interest on 1851 bonds, £6,144,990, at 15% | 921,748-0-0 |
| Total debt | £13,595,798-0-0 |

Interest on 1864 Bonds Not Recognized.

REDEEMED FROM PROCEEDS OF GERMAN 6% LOAN OF 1888.

| | |
|---|---|
| 1851 bonds at 40%, £10,241,650 | £4,096,660-0-0 |
| 1864 bonds at 40%, £2,432,400 | 972,960-0-0 |
| Interest on 1851 bonds, £921,748-0-0, at 40% | 368,699-0-0 |
| Amount realized by bondholders | £5,438,319-0-0 |

RECAPITULATION.

| | Pound Sterling |
|---|---|
| Total debt December 31, 1885 | £24,170,320-0-0 |
| Amount paid to bondholders | 5,438,319-0-0 |
| Loss | £18,732,001-0-0 |

The figures regarding the amount of bonds redeemed are not exact, since a small number were not presented for final redemption.

## OTHER BRITISH INDEBTEDNESS

To avoid confusion, I have so far confined myself to discussing the main debt which is popularly known as the British or London debt. In addition; however, various other outstanding obligations were recognized and converted under the law of June 22, 1885. Such obligations consist of remnants of old bond issues, unconverted certificates, etc.

The statement on page 58 submitted to Congress by Minister Dublan, gives the details of the various items outstanding in 1888, comprising the London debt. The difference between the total of the debt as shown in this statement and that shown in the above Summary of the Debt is due mainly to the omission in the Dublan statement of the interest on the 1864 bonds.

NOTE:—From 1823 to 1905 the Mexican peso was worth practically the same as an American dollar. In 1905 the currency system was reorganized and the value of the peso fixed at approximately 50 cents U. S. Currency. To avoid confusion the unit value of the peso as fixed by the law of 1905 is used for transactions during the period from 1885 to date—viz, approximately 50 cents U. S. Currency.

STATEMENT SHOWING ECONOMIES OBTAINED BY THE MEXICAN REPUBLIC THROUGH THE CONVERSION OF THE DEBT CONTRACTED IN LONDON, ACCORDING TO THE LAW OF JUNE 22, 1885, AND CONVENTION OF JUNE 23, 1886.

| Classification of the debt. | Total credits against the Republic before the Conversion. | Proportion admitted in Conversion. | Net acknowledgment due to Conversion. | Economies obtained. |
|---|---|---|---|---|
| ENGLISH POUNDS STERLING | | | | |
| Bonds from conversion of 1851. Account of capital | 10,241,650- 0-0 | ..... | 10,241,650-0-0 | ..... |
| Unpaid coupons and interest of the 1851 bonds, art. 2nd, letter B, agreement of June 23, 1886 | 6,144,900- 0-0 | 15% | 921,748-0-0 | 5,223,152- 0-0 |
| 1864 bonds at 3%, art. 2nd, letter A, agreement of June 23, 1886 | 4,864,800- 0-0 | 50% | 2,432,400-0-0 | 2,432,400- 0-0 |
| Deferred bonds of 1837 at 5%, art. 3rd, agreement of June 23, 1886 | 434,350- 0-0 | 20% | 86,870-0-0 | 347,480- 0-0 |
| Certificates at 3% from Conversion of 1851, art. 3rd, agreement of June 23, 1886 | 180,000- 0-0 | 20% | 36,000-0-0 | 144,000- 0-0 |
| Baring Bros. Certificates, art. 3rd, agreement of June 23, 1886 | 75,532- 0-0 | 20% | 15,107-0-0 | 60,425- 0-0 |
| Active bonds of 1843, agreement of October 15, 1886 | 200,000- 0-0 | 20% | 58,000-0-0 | 142,000- 0-0 |
| Bonds from the extinct British Convention of Dec. 4, 1851 Contract of Jan. 12 1886 | 1,180,456- 0-0 | ..... | 823,754-0-0 | 356,702- 0-0 |
| Bonds from conversion of 1846 at 5% | 21,492-10-0 | ..... | 10,750-0-0 | 10,742-10-0 |
| TOTAL | £23,343,180-10-0 | —— | 14,626,279-0-0 | 8,716,901-10-0 |

The above totals demonstrate that the £23,343,180-10-0 were obtained with £14,626,279-0-0, that is at a cost of 62.65%; the nation obtaining a profit of £8,716,901-10-0. The Chief of the first section of the Public Debt Office.—Jose X. Cortes.

## DIAZ ADMINISTRATION

### 1884 to 1911.

Porfirio Diaz was President of Mexico from 1877 to 1880. General Manuel Gonzalez was elected President in 1880 and held office until December 1, 1884, when Diaz began his second term as President. General Diaz was President from December 1, 1884, until May 25, 1911, when he resigned as a result of the Madero Revolution.

During these twenty-seven and a half years Mexico made her greatest advance in material prosperity, and also enjoyed the longest period of peace in her history. It has frequently been said that her prosperity was due to peace, but it is much more probable that her peace was due to her prosperity. The construction of railroads was the largest single factor in her progress.

During this period Mexico's public debt increased about P375,000,000 net.

Some of this increase in the public debt was due to grants to railroads for construction purposes, following the example of the United States in the early days, and some of it was due to the sums spent in the construction of public works.

By the law of June 22, 1885, and the agreement with the bondholders of June 23, 1886, Mexico fixed the public debt at £14,626,279, as reported to Congress in 1888 by Manuel Dublan, then Minister of Finance. Under the terms of the agreement the government reserved the right to purchase the above debt at 40% of its par value, which it did in 1888. Therefore, £5,850,511, or 40% of the total debt may be said to represent the amount of the foreign indebtedness of Mexico at the beginning of the second Diaz administration.

## INTERIOR DEBT

The amount of the interior public debt at the time Diaz assumed office in 1884 was unknown. The law of June 22, 1885, provided for the submission of claims, created the machinery for their examination, and authorized the issuance of bonds to pay those approved.

The first interior loan was authorized by the decree of June 22, 1885. To avoid confusion amortization payments made after Diaz resigned are included in the figures immediately following, as such amounts do not noticeably affect the discussion. Full information regarding each loan mentioned is contained in Appendix B.

### 3% CONSOLIDATED INTERIOR DEBT OF 1886.

| | Pesos |
|---|---|
| Authorized issue | 150,000,000.00 |
| Amount issued | 76,063,100.00 |
| Outstanding, December 31, 1918 | 42,383,850.00 |

Interest:

1% during 1886.
1½% during 1887.
2% during 1888.
2½% during 1889.
3% during 1890 and thereafter.

Interest was to be paid in Mexico City, New York and London, and the law provides that, although, interest payments may be made outside of Mexico, and the bonds are stated in foreign currency, the debt shall not be deprived of its essential internal character. The bonds were made admissible in payment for government bonds and interest coupons were made admissible in payment of Federal taxes.

Information is not available as to the actual disposition of the proceeds. The law provided that these bonds were to be issued in exchange for 19 different kinds of indebtedness, including the British debt.

As stated on page 55, the 1851 bonds were not exchanged for bonds of this issue. The bonds of 1864, together with the unpaid interest coupons of both issues, were exchanged in London for new bonds and later redeemed in cash at 40% of their par value. Of the P76,063,100 issued, P23,485,675 were redeemed during the period from July 1, 1886, to June 30, 1890, and it is probable that this entire amount represented the bonds redeemed with the proceeds of the German loan of 1888.

Deducting the amount redeemed from the total amount issued leaves P52,577,425, which represents the amount of bonds issued in satisfaction of interior debts.

The second interior loan, authorized September 6, 1894, provided for a loan of P100,000,000 at 5% per annum.

### 5% Amortizable Interior Debt of 1894

| | Pesos |
|---|---|
| Authorized issue | 100.000 000.00 |
| Issued | 98,579,000.00 |
| Outstanding, Dec. 31, 1918 | 92,911,700.00 |

In accordance with the decree of September 6, 1894, the following bonds were issued:

| Date of Authorization | Pesos |
|---|---|
| Sept. 26, 1894 | 19,985,800.00 |
| Dec. 10, 1895 | 20,000,000.00 |
| Jan. 3, 1898 | 20,000,000.00 |
| Dec. 23, 1899 | 20,000,000.00 |
| June 9, 1902 | 16,472,600.00 |
| Issued during 1913 and 1914 | 2,120,600.00 |
| Total issue | 98,579,000.00 |

The loan was authorized for the purpose of completing the consolidation of all debts of, and claims against, the Republic which originated prior to June 30, 1882, as well as to fund the following indebtedness originating from that date to June 30, 1894.

*First Class*

Due railroad companies as subsidiaries for new construction.
Due contractors for public works.
Due railroads for freight and passenger service.
And in general, amounts due for loans, mortgages, contracts to purchase or rent, by virtue of which the government was obligated to pay cash and the payment of which was then due, as well as vouchers payable issued by the Treasurer General.

*Second Class*

Amounts due for salaries, traveling expenses, pensions, gratuities, honorariums, etc., being, in general, all credits not included in the first class.

*Special Class*

Bonds or certificates of indebtedness issued after June 30, 1882, and issued for the construction of railroads and public works.

*Interest*

Interest payable in Mexico City and London, and elsewhere if designated by the President. Interest coupons are admissible in settlement of all classes of payments which may be made directly to the General Treasury.

The authorization for the issue of the last series of bonds was enacted in the form of a law which provided that this issue be used only for the construction of railroads. Additional authority was also granted to the President to issue other bonds to enable him to meet the cost of the following works:

| Pesos | |
|---|---|
| 7,000,000 | For construction of Tehuantepec Railroad. |
| 1,000,000 | Capital subscribed to above Railroad Company. |
| " | Port works at Salina Cruz and Coatzacoalcos. |
| " | Port works at Manzanillo. |
| 2,000,000 | Buildings and works at Vera Cruz. |
| " | Construction of iron wharf at Tampico. |
| " | Construction of Legislative Palace, Mexico City. |
| " | Construction of water supply system for Mexico City. |
| " | Payment of obligations issued for sanitary works in Mexico City. |

The above list of improvements has no bearing on the disposition of the second interior loan, but is inserted to show that the Diaz administration had prepared a program of public improvement. Information is not available to determine what

portion of the 5% P100,000,000 loan was used for the construction of railroads and public improvements.

**State Loans Assumed by the Federal Government of Mexico.**

Since the Federal Government has assumed the responsibility for the payment of their principal and interest, various state loans are now considered to be part of the interior debt of Mexico.

Such loans outstanding on December 31, 1918, were as follows:

| Year of Issue | Interest Rate | Title | Amount Issued | Amount Outstanding |
|---|---|---|---|---|
| 1901 | 5 | State of Vera Cruz | P. 4,551,000.00 | P. 831,200.00 |
| 1902 | 5 | State of Tamaulipas, 1st Series | 2,700,000.00 | 741,500.00 |
| 1905 | 5 | State of Sinaloa | 698,000.00 | 466,700.00 |
| 1906 | 5 | State of Tamaulipas, 2nd Series | 950,000.00 | 796,600.00 |
| 1906 | 5 | State of Vera Cruz, Improvement of Puerto Mexico | 739,000.00 | 664,000.00 |
| | | Total | P. 9,638,000.00 | P. 3,500,000.00 |

**Summary of Interior Loans.**

| Title | Amount Issued | Amount Outstanding |
|---|---|---|
| 3% Loan of 1886 | P. 76,063,100.00 | P. 42,383,850.00 |
| 5% Loan of 1894 | 98,579,000.00 | 92,911,700.00 |
| State Loan | 9,638,000.00 | 3,500,000.00 |
| Total | P. 184,280,100.00 | P. 138,795,550.00 |

## EXTERIOR OR FOREIGN LOANS

A number of foreign loans were placed abroad by the Mexican government in the period from 1887 to 1910. To give a clear picture of the gradual growth of the debt it is necessary to trace each loan from its inception to its final consolidation. The first foreign loan of the Diaz administration has been referred to in the previous chapter. Further details are given here.

### 6% CONSOLIDATED EXTERIOR MEXICAN DEBT OF 1888

| | Pounds Sterling |
|---|---|
| Authorized and issued | £10,500,000-0-0 |
| Proceeds: | |
| £3,700,000-0-0 at 70% | 2,590,000-0-0 |
| 6,800,000-0-0 at 85% | 5,780,000-0-0 |
| Total | £8,370,000-0-0 |
| Less 1¼% commission on £10,500,000-0-0 | 131,250-0-0 |
| Net proceeds | £8,238,750-0-0 |

The above figures are taken from Limantour's report to Congress in 1910 on the subject of refunding the National

Debt. They do not agree with statements in other reports, but are sufficiently correct for our purpose. The amounts retained by the bankers from the proceeds of the loan to pay the first two interest coupons are not taken into consideration. The contract with the syndicate of bankers provided that the proceeds of the loan were to be paid over to the Mexican government in London in four equal parts in three, four, five and six months' time.

The contract further provided that Bleichroeder & Company should pay all the expenses of the bond issue amounting to £46,250-0-0, to be deducted by them from the proceeds of the loan. This amount is 1¼% of £3,700,000-0-0, the amount of the first issue.

A deduction of 1¼% from the second issue of £6,800,000-0-0 was likewise made, presumably as commission.

The correspondence between the two contracting parties was as follows:

| | |
|---|---|
| November 7, 1887 | **Bleichroeder to Government**<br>Request commission of 2½%. |
| November 8, 1887 | **Government to Bleichroeder**<br>Other conditions satisfactory, but President insists on obtaining 70% net. |
| January 12, 1888 | **Government to Bleichroeder**<br>Impossible to allow 2½% for expenses. |
| March 10, 1888 | **Financial Agent of Government in London to Government in Mexico**<br>Bankers propose commission of 2½%. |
| March 12, 1888 | **Government to Financial Agent**<br>Government will not consider proposed modifications unless bankers state explicitly they will accept contract if modified. |
| March 17, 1888 | **Bleichroeder to Government**<br>If acceptance of modifications arrive tomorrow will immediately sign in London. |
| March 17, 1888 | **Government to Financial Agent**<br>Proposed modifications accepted, except the 2½% commission. |
| March 18, 1888 | **Government to Financial Agent**<br>If those gentlemen are agreeable to 1¼% commission, the maximum which we will concede, sign contract immediately. |
| March 19, 1888 | **Financial Agent to Government**<br>Signed today. |
| March 24, 1888 | **Financial Agent to Government**<br>Final contract signed—expenses amounting to 1¼% on par value of issue allowed bankers. |

## Participation of Bankers

This loan was taken as follows:

| | Per Cent |
|---|---|
| Bleichroeder & Company, Berlin | 61.584 |
| Anthony Gibbs & Sons, London | 20.000 |
| National Bank of Mexico | 18.416 |
| **Total** | **100.000** |

### Profits of Bankers

The first issue of bonds, amounting to £3,700,000-0-0 was sold at 78½ and the profits were as follows:

| | Pounds Sterling |
|---|---|
| Commission of 1¼% on £3,700,000-0-0 | £46,250-0-0 |
| Profit on sale | 314,500-0-0 |
| Total profit | £360,750-0-0 |

The bankers also received 1¼% commission on the balance of the loan, amounting to £85,000-0-0. Information is not available as to the price realized by the bankers on the second issue.

### Security for Loan

As a special guarantee for the exact compliance with the provisions of the contract, the Mexican government assigned the following revenues:

1. 20% of all import and export duties.
2. The total proceeds without deduction except cost of administration of the "predial, patente and professional" taxes collected in the Federal District.

The total revenues collected under the foregoing clauses were always to exceed the amount required for interest and amortization charges by at least 10%. If the collection fell below this amount the government agreed to increase the percentage of the customs duties in favor of the bondholders.

The government agreed to leave with Bleichroeder & Company, until the loan was repaid, sufficient funds to pay two interest coupons, which were to be retained from the proceeds of the sale.

### Method of Separation of Revenues

The government agreed to issue customs certificates and to pass a law requiring 20% of all customs duties to be paid in such certificates.

Certificates were turned over to the National Bank of Mexico for the account of bondholders, and this bank was charged with the duty of placing them on sale at the various ports of entry.

The National Bank was required to remit the amounts provided for in the contract to Bleichroeder & Company not later than the 15th day of February, May, August and November of each year.

### Newspaper Comment

It is interesting to read the newspaper comments on this loan, the first since the Mexican Imperial Loan of November, 1864.

"*Monitor de Intereses Materiales de Paris*":

"In effect, a 6% loan at 78½ is what is sought in 1888.

Exactly 24 years ago the Empire of Mexico was worse off in the matter of credit.

"In April, 1864, Emperor Maximilian contracted a 6% loan with Glyn Mills & Company amounting to 8,000,000-0-0 pounds sterling. The price was 63%, and to assure the purchasers, the Mexican government, in addition to the high interest rate of 10%, offered other small guarantees, such as the appointment of a Mexican Financial Commission in Paris and later the deposit of sufficient funds to pay the first coupon of July 1, 1864, and the next three interest coupons."

"These measures did not prevent the Mexican bonds from being quoted at 56 before the July coupon was due. How far we have come—today a Mexican issue not at 10% but yielding 7.05% is quoted at a premium above the original selling price."

*The Bullionist*, March 31, 1888:

"In our number of Saturday we announced the brilliant success of the new Mexican loan, and we understand that it has advanced in price in Amsterdam and Berlin.

"Two causes have produced this result. The first being the influence and standing of the bankers, among which figure names of the first importance in the three great centres of financial action where the loan was placed. The second cause is the prosperous administration of President Diaz to whom should be attributed the excellent prospects of the country. In the matter of mineral riches and commercial progress, the actual conditions in Mexico are better than they have been. A new era has dawned in Mexico but the period of active development we think will be determined by the new loan. This will affect the definite arrangement of the public finances and must be the starting point for all that concerns the welfare of that state."

The *Baltimore American* declared that the period of revolutions had passed away for all time in Mexico. The *Baltimore Sun* expressed the opinion that Mexico in 1888 was not the same country as in 1883.

## Summary of Loan

The following statement is taken from the "Memoria de Hacienda" for the fiscal year 1889-1890:

**6% Loan of 1888—£10,500,000-0-0.**

| | | Pounds Sterling |
|---|---|---|
| Par value of loan | | £10,500,000-0-0 |
| Less discount | £2,130,000-0-0 | |
| Less expenses | 83,051-0-0 | 2,213,051-0-0 |
| Net proceeds | | £8,286,949-0-0 |

DISPOSAL OF PROCEEDS

| | |
|---|---|
| £14,450,000-0-0 bonds of English debt at 40% | £5,780,000-0-0 |
| Deposited with Bleichroeder for interest | 315,000-0-0 |
| Bonds of Tehuantepec Railway | 195,278-0-0 |
| Cash, used to retire floating debt | 1,996,671-0-0 |
| Total | £8,286,949-0-0 |

AMORTIZATION ACCOUNT

| | Pounds Sterling |
|---|---|
| Par value of issue | £10,500,000-0-0 |
| Amortized to June 30, 1899 | 517,200-0-0 |
| Balance refunded in 1899 | £9,982,800-0-0 |

## 5% LOAN OF 1899—£2,700,000-0-0.

The law with respect to this loan is not included in the collection of laws and other documents relating to the public debt compiled by Juan Castillo, published in Mexico City in 1903. An extract copy of the law dated October 15, 1888, secured from the Department of Finance, approving a contract for the construction of the Tehuantepec Railroad refers to this loan.

According to this extract the bonds were issued as the purchase price for the railroad. They were guaranteed by a first mortgage of the railroad line, equipment, telegraph line and the wharf at Salina Cruz. The bonds were to draw interest from the first of January, 1889, and the interest was to be paid by the railroad contractor for the first 2½ years during the period of construction.

The government agreed to deposit the entire issue of the bonds with the financial agent of the Mexican government in London, and to turn over bonds to the contractor as they were earned. The bonds were to be amortized in fifty years. If construction were not completed within 2½ years and turned over to the government, the contractor was required to pay the interest until the work was completed. To pay amortization and interest charges on this debt, the government assigned 50% of the gross revenues of the railroad, telegraph and wharf; if such 50% was not sufficient to pay the charges in accordance with the contract, the government was to make up the difference.

This loan was refunded in 1899, and the state of the debt at the time of the consolidation was as follows:

| | | Pounds Sterling |
|---|---|---|
| Par value of issue | | £2,700,000-0-0 |
| Amortized up to June 30, 1899 | £27,000-0-0 | |
| Balance refunded in 1899 | 2,673,000-0-0 | |
| Totals | £2,700,000-0-0 | £2,700,000-0-0 |

## 6% LOAN OF 1890—£6,000,000-0-0.

The law concerning this loan was dated May 14, 1890, and authorized the Executive to consolidate and convert the credits in favor of the railroads which were due them as subventions. This loan was placed entirely with Bleichroeder & Company. One of the preambles of the contract states that the Executive has resolved to consolidate the various debts of the country on account of subventions granted to the railroads by means of a loan of £6,000,000-0-0 "which amount is less than that which is owing to the railroad," and the government pledged 12% additional of all import and export customs duties. For amortization purposes the government agreed to pay ¼ of 1% annually in addition to the 6% interest on the total amount of bonds issued. After the interest was paid on the bonds outstanding, the balance of the fund was to be used for redemption purposes and sufficient funds were to be left in the hands of the bankers during the life of this loan to pay two interest coupons.

The method of collection was the same as for the 6% loan of 1888. The government issued customs certificates to the National Bank of Mexico for the account of the bondholders, and this bank was charged with the duty of placing these certificates on sale at the points required.

The government also issued a decree requiring that 12% of all customs duties should be paid in these certificates. Bleichroeder & Company took these bonds at 83¾%. The expenses of issue were to be paid by Bleichroeder & Company in consideration of 1% of the par value of the bonds issued, or £60,000-0-0, which the bankers were to advance to the government, and which was to be deducted from the proceeds of the loan in four equal amounts. This loan was refunded in 1899. Notwithstanding the language of the law, it appears that all of this issue was not used entirely for the purpose stated, as is shown by the following statement:

SUMMARY

| | | Pounds Sterling |
|---|---|---|
| Par value of bonds | | £6,000,000-0-0 |
| Discount of 1¼% | £675,000-0-0 | |
| 1% commission | 60,000-0-0 | 735,000-0-0 |
| Net to government | | £5,265,000-0-0 |

USE OF PROCEEDS

| | |
|---|---|
| Payment of P. 23,082,212.30 owed to Central and Mexican Railway made with P. 17,871,486 exchanged at P. 5 x £ | £3,574,297-0-0 |
| Balance in hands of the government for miscellaneous payments | 1,690,703-0-0 |
| Total | £5,265,000-0-0 |

AMORTIZATION ACCOUNT.

| | | |
|---|---|---|
| Par value of issue | | £6,000,000-0-0 |
| Amortized up to June 30, 1899 | £147,700-0-0 | |
| Balance refunded in 1899 | 5,852,300-0-0 | |
| Total | £6,000,000-0-0 | £6,000,000-0-0 |

## 6% LOAN OF 1893—£3,000,000-0-0.

This loan was authorized in two parts. The original authorization was dated May 29, 1893, and provided for an issue of £2,500,000-0-0. Later, authority was granted on November 29, 1893, for the issuance of £500,000-0-0, making a total of £3,000,000-0-0.

The law of May 29th authorized the Executive to take all measures necessary to complete the arrangement of the public debt. The issuance of bonds of the 3% Consolidated Debt was only to be made for indebtedness already incurred, and in no case were these bonds to be used to secure new loans. This law is the enabling act for the issuance of P. 100,000,000 5% amortizable interior debt issued in five series, and also authorized the issuance of £2,500,000-0-0 to be placed abroad.

The provision of the law relating to the creation of this debt is as follows:

*Law of May 29, 1893—Article 8.*

"For the better arrangement of the floating debt and to obtain an important reduction in the amounts required therefor, it is believed convenient to consolidate a part of such debt in bonds payable outside of the Republic, the emission of such new bonds not to exceed £2,500,000-0-0, and to be issued at the best price that can be obtained with conditions and other guarantees necessary which shall not be less favorable for the State than those granted for the loans of 1888 and 1889."

The report of the Minister of Hacienda for 1893 and 1894 states that this loan was necessary on account of the loss of crops and the drop in the price of silver.

The following statement prepared by the Department of Finance of the Mexican Government shows the amounts realized by the government and the amounts amortized up to the date of consolidation:

PROCEEDS

| | Pounds Sterling |
|---|---|
| £1,650,000-0-0 at 60% | £990,000-0-0 |
| £950,000 at 67.323% | 639,573-0-0 |
| £400,000 at 74¼% | 298,000-0-0 |
| Total | £1,927,573-0-0 |
| Less 1¼% commission | 37,500-0-0 |
| Net proceeds | £1,890,073-0-0 |

AMORTIZATION ACCOUNT

| | | |
|---|---|---|
| Par value of issue | | £3,000,000-0-0 |
| Amortized up to June 30, 1899 | £50,580-0-0 | |
| Balance refunded in 1899 | 2,949,420-0-0 | |
| Total | £3,000,000-0-0 | £3,000,000-0-0 |

## 5% CONSOLIDATED EXTERIOR MEXICAN DEBT OF 1899.

## £22,700,000-0-0.

## CONVERSION OF 1899.

In 1899 the four exterior loans described in the preceding pages were consolidated in a new 5% loan. The reasons for this loan are best summarized from the report of the Minister of Finance to Congress, May 15, 1900:

"Due to the increasing prosperity of the nation and the good results which we are beginning to obtain in the finances of the Federal Government, the value of the securities of the public debt has gradually risen, and the question has presented itself in financial circles and those interested in Mexican securities as to the possibility of reducing the annual charge against the nation for debt service.

"The securities which lend themselves to conversion are naturally those loans of 1888, 1890 and 1893, which draw interest at the rate of 6% and are superior to almost all other Mexican securities. The bonds of 1888 and 1890 have almost always been quoted at the same price, while the bonds of 1893, whose amortization guarantees and other conditions are practically the same as the other two loans, have been quoted at a somewhat inferior price, due only to the fact that they have not been admitted to the Berlin Stock Exchange.

"In addition to the loans mentioned, there exists another loan payable in Pounds Sterling—that issued in 1899 for the construction of the National Railways of Tehuantepec, which is secured by a mortgage on the property. This bears interest at 5% and while it is true that the difference in the interest should result in a lower price in the stock market, the nature of the guarantee, as well as other special circumstances connected with the loan have served to offset a large part of this inferiority, so that these bonds have always been quoted at a higher price, mathematically compared, than the 6% loans."

## COMPARATIVE STATEMENT SHOWING THE MARKET QUOTATIONS OF THE BONDS OF 1888, 1890, 1893 AND TEHUANTEPEC IN RELATION TO THE REVENUES FROM CUSTOMS DUTIES ON IMPORTS.

| 1894 | Average Quotation for Month | | | Increase or Decrease as Compared with Same Month Last Year | Difference Between Revenues and Expenditures |
|---|---|---|---|---|---|
| | Loans | | Tehuantepec | | |
| | 1888 & 1890 | 1893 | | | |
| Fiscal Year 1893-94 | | | | | Deficit 1,340,415 |
| July | 58¼ | ..... | 46½ | — 35,584 | |
| August | 61¾ | ..... | 50½ | — 87,959 | |
| September | 64 | ..... | 52½ | — 104,486 | |
| October | 65 | ..... | 52½ | + 134,809 | |
| November | 69½ | ..... | 56½ | — 36,074 | |
| December | 71¼ | ..... | 60 | + 258,288 | |
| 1895 | | | | | |
| January | 71½ | 70½ | 61 | + 340,228 | |
| February | 76¾ | 73 | 67½ | + 196,748 | |
| March | 79¾ | 74¾ | 67½ | + 435,097 | |
| April | 82 | 77 | 67½ | + 376,602 | |
| May | 86 | 81½ | 70 | + 520,850 | |
| June | 88½ | 82¾ | 72½ | + 359,270 | |
| Fiscal Year 1894-95 | | | | | Surplus 2,573,434 |
| July | 92 | 89 | 77 | + 389,583 | |
| August | 92¾ | 89¾ | 79½ | + 349 288 | |
| September | 95¼ | 92¼ | 84¼ | + 368,388 | |
| October | 94 | 91¾ | 86 | + 355,183 | |
| November | 92 | 89 | 84 | + 524,379 | |
| December | 90½ | 85½ | 81 | + 305,178 | |
| 1896 | | | | | |
| January | 90 | 87 | 82½ | + 386,145 | |
| February | 93¼ | 91¾ | 84½ | + 563.658 | |
| March | 94 | 91½ | 86½ | + 266,918 | |
| April | 94 | 93⅛ | 86½ | + 290.642 | |
| May | 95 | 94⅝ | 86½ | + 54,507 | |
| June | 95⅝ | 93⅞ | 87¾ | + 30,077 | |
| Fiscal Year 1895-96 | | | | | Surplus 5,451,347 |
| July | 94 | 92¼ | 86¾ | + 45,733 | |
| August | 92¾ | 91½ | 84½ | + 182,752 | |
| September | 93⅝ | 90¾ | 83½ | + 191,508 | |
| October | 91¾ | 89¾ | ..... | + 2,764 | |
| November | 93 | 91 | ..... | — 226,012 | |
| December | 95⅜ | 91⅝ | 87 | + 374,187 | |
| 1897 | | | | | |
| January | 96 | 94½ | 84½ | — 79,192 | |
| February | 96½ | 95½ | 86¾ | — 182 003 | |
| March | 95¼ | 92¾ | 87½ | — 82,163 | |
| April | 95½ | 94¼ | 86⅝ | — 288,183 | |
| May | 96½ | 95 | 87½ | — 61,654 | |
| June | 98½ | 96½ | 90 | + 108,919 | |

| 1894 | Average Quotation for Month | | | Increase or Decrease as Compared with Same Month Last Year | Difference Between Revenues and Expenditures |
|---|---|---|---|---|---|
| | Loans | | Tehuantepec | | |
| | 1888 & 1890 | 1893 | | | |
| Fiscal Year 1896-97 | | | | + 271,746 | Surplus 3,170,123 |
| July | 98 | 97¼ | 92¾ | | |
| August | 95¼ | 93¾ | 91 | — 61,960 | |
| September | 94 | 91½ | 89¾ | — 268,269 | |
| October | 93½ | 92 | 90½ | — 192,308 | |
| November | 93½ | 92 | 89½ | — 71,623 | |
| December | 96 | 94½ | 90½ | — 200,116 | |
| 1898 | | | | | |
| January | 97¼ | 95¼ | 91 | — 352,574 | |
| February | 98¾ | 98 | 94¼ | — 129,242 | |
| March | 98¼ | 96¼ | 96½ | + 45,538 | |
| April | 93¾ | 92¼ | 92½ | + 208,634 | |
| May | 95 | 95½ | 93 | + 95,451 | |
| June | 96½ | 95½ | 94½ | + 146,423 | |
| Fiscal Year 1897-98 | | | | | Surplus 882,698 |
| July | 97½ | 96 | 93 | + 69,557 | |
| August | 98 | 96¾ | 94 | + 124,232 | |
| September | 98¾ | 96¾ | 94 | + 431,843 | |
| October | 97½ | 95½ | 94 | + 324,976 | |
| November | 98 | 96¾ | 94 | + 506,535 | |
| December | 99½ | 97¼ | 95¾ | + 323,079 | |
| 1899 | | | | | |
| January | 99¾ | 99 | 96¾ | + 601,796 | |
| February | 100¾ | 100½ | 98 | + 511,443 | |
| March | 101¼ | 100 | 99 | + 257,167 | |
| April | 101¼ | 101¼ | 100 | + 691,112 | |
| May | 102¼ | 102½ | 101 | + 598,495 | |
| June | 102¼ | 100¾ | 102 | + 972,138 | |
| Fiscal Year 1898-99 | | | | | Surplus 6,639,670 |

The report goes on to say that "the attached statement clearly shows the increasing demand for Mexican securities payable in gold beginning with the disastrous financial crisis from 1892 to 1894. These figures are a clear demonstration of the rapidity and firmness with which the nation weathered the terrible economic disturbances which occurred in that period. As soon as the monthly customs revenues began to show an increase over the same months of the preceding year, confidence was reestablished in our national securities. The increasing price of the Mexican securities was practically parallel with the increasing receipts of the customs.

"Beginning with 1897, the government received inquiries regarding the possibility of converting the 6% loans for others, which would draw less interest, but the government was not at liberty to make such a conversion on account of the clause in the three contracts for 1888, 1890 and 1893 loans which required that these loans should only be paid off by a regular amount up to the end of 1897. After January 1, 1898, however, the amortization fund might be enlarged or the bonds might be entirely paid off. After January 1, 1898, there was

no delay in presenting various propositions signed by the best firms in the United States, London and Germany which merited serious consideration. The group of houses interested indicated that they were disposed to compete with the offers which would be received from the signatories for the three preceding loans, the principal being S. Bleichroeder, of Berlin. The government was disposed to secure the benefit of this consideration, but before negotiations were really begun, the Spanish-American War intervened and put an end to all correspondence regarding the matter. Some time after the conclusion of peace between the belligerents, the conversion of the debt was again taken up. But, at this time, the house of Bleichroeder communicated to the government that by virtue of arrangements recently made with the other houses which had made separate propositions, there had been a fusion of the two groups and that the house of Bleichroeder represented both groups. Negotiations would probably have been begun had it not been for the fact that the representative in Mexico of that firm refused to accept two conditions which the Executive considered as a sine qua non for any arrangement:

1. "The Executive demanded that the banks renounce in the future the requirement that an amount sufficient to pay two interest coupons should remain on deposit with the bankers during the whole life of the loan.
2. "The Executive also required that the guarantees regarding the assignment of certain revenues collected in the Federal District be suppressed."

"Because of the failure to come to an agreement regarding these matters, no progress was made until April, 1899, when a commission composed of representatives of banking houses of the United States of America arrived, and indicated that they were disposed to convert the debt with more advantageous conditions than the government could obtain anywhere else."

Limantour states that at this time it was necessary for him to take a voyage to Europe on account of his health and, while passing through New York, notwithstanding the fact that he was only in the city for one week, he "was approached by the directors and heads of the various institutions and urged to agree to a basis for conversion. The bankers referred to were very anxious to come to a definite agreement. The propositions which they presented, aided by some of the most powerful names in the United States, and favored by the prosperous conditions which surrounded such transactions in that country, warranted the government in taking them into consideration as soon as they offered advantages over those other propositions which had been an object of preliminary negotiations.

"Powerful motives prevented the consideration of these

propositions, notwithstanding the fact that the project did not arrive at the point of being discussed in its essentials. Eliminating reasons of a political character, the following considerations of purely a financial character are enough to justify this attitude.

"The propositions in their essential points were attractive, but they also had serious inconveniences.

"The propositions of the American bankers were to subscribe to a new Mexican loan, the proceeds of which were to be used to pay off the old loans now outstanding. To make the conversion they proposed an exchange of creditors. They did not offer other bonds bearing a smaller interest to the holders of the bonds of 1890 and 1893, but only proposed to substitute new creditors in a new world for the present creditors of the government of Mexico in the old world. This could not be accepted. The bonds of the old loans were in the hands of a public familiar with matters in Mexico and who constitute in reality a clientele whose confidence is established in the strength and stability of the said loans.

"These reflections appear to be stronger, if we take into account that the Mexican 6% bonds have been quoted in various English, German and Holland markets, which had always provided an ample basis to sustain our bonds and had contributed to the firmness of their price. While, if we converted our bonds with the houses referred to, we would have acquired the American market; but this advantage evidently would not compensate for the loss of the others, since we would have to depend in the future upon the houses and markets of one single country. To this should be added that there is a plentiful supply of money in the United States, and in consequence it anxiously looks for investment, which fact is very favorable for the conversion.

"Neither can the government fail to take into account the probable consequences of breaking with the large banking houses of London and Berlin, and others which have been associated with them in the issuance of former bond issues. Although it should not be feared that such a separation will influence the pecuniary result because, as we have said, the American establishments which have made the propositions are sufficiently strong to execute them, still, the possible hostility of those European houses would operate without fail against the success of the conversion, and would also influence, in an unfavorable manner, other pending operations, public, as well as private, which are connected with the credit of the nation.

"On the other hand, if the complete transfer of our securities from Europe to the United States presented many serious difficulties, we should not lose sight of the fact that the American bankers and public would have participated in an operation conducted in Europe without Mexico losing a

single one of the markets which gave support to its bonds, nor fail to conserve the old clientele for these securities.

"For these reasons, before I embarked for Europe I sought to convince the persons with whom I had been dealing that it was not possible to accede to their wishes, and that the only just and prudent course that the government could pursue under the circumstances was to secure the offers which had been made by them, and procure the amalgamation of the two groups if the European group submitted proposals which were equivalent to those made in the United States. In compensation, the American group would have the advantage of participating in a transaction which surely would have a great success, and if the government did not obtain a favorable result within a reasonable time, it could always continue the negotiations in New York on the basis explained.

"In accordance with this program, when the heads of J. P. Morgan, of New York, and the representatives of S. Bleichroeder, the Deutsche Bank and the Dresdener Bank of Berlin, arrived to confer with me, they were aware of the fact that the government could complete the transaction in New York on satisfactory terms. In this way, the matter of the conversion was definitely inaugurated under sufficiently favorable auspices, not only on account of the circumstances mentioned, but because the atmosphere was propitious in the European and American markets for a great financial undertaking.

"In the preliminaries regarding the conversion which were conducted by correspondence and conference, the three loans of 1888, 1890 and 1893 were the only ones considered, since these were contracted for on terms practically the same and all bore interest at the rate of 6%.

"The government had determined to take advantage of a favorable opportunity to include the loan of £2,700,000-0-0 of the National Railways of Tehuantepec in the conversion, but this idea had not proved feasible, because the conditions surrounding the bonds of this last loan were different from those surrounding the 6% bonds.

"The Tehuantepec bonds had not yet been quoted at par; they were not redeemable at the option of the government, which only had the right to double the amortization fund; the mortgage back of the bonds was considered by the bondholders a better guarantee than the revenues of the custom houses or any other revenues of the State. It was not possible, however, for matters to remain in this condition from the time that the government entered into a contract to complete the railroad of Tehuantepec and to construct, in Coatzacoalcos and Salina Cruz, the terminal points of the line and the necessary port works to perfect this interoceanic line of communication, because a project as large as this could not be brought to a conclusion without cancelling the mortgage in favor of the bondholders.

"It was in regard to this point that the government began to study the methods of solving the difficulty. The first tentative proposals for this purpose were made to the Dresdener Bank, which was the one in union with others that placed the Tehuantepec bonds in circulation. The various methods to accomplish this purpose were discussed for two years without the proposals of the government being accepted by the bank, or the proposals of the bank receiving the approval of the government. The failure of these efforts may be attributed to the fundamental difficulties of the problem which consisted of inducing the holders of the bonds to renounce voluntarily and unanimously their right to a guarantee which was better than any other that could be offered by the government, and to exchange their rights for advantages of another kind whose value, with the exception of the pecuniary compensation, it was not easy to demonstrate. It was indispensable, therefore, to offer a substantial premium to the holders of the bonds, and even if this were done it was not certain that they would all submit.

"The year 1899 had now arrived and the excitement created in other countries regarding the opening of a canal across one of the isthmuses of the American continent made it desirable to hasten the conclusion of this matter, adopting that plan which offered the most security and which would raise the mortgage on the railroad. As we have said, this was the only obstacle to beginning the construction of the new work under contract.

"It will always be a distinct advantage to Mexico in the competition which some day will exist between the Maritime Canal which is to be constructed and our interoceanic railroad, to attract the largest possible traffic before the canal is completed so that we can have the necessary time to prepare for competition under favorable conditions."

The report of Minister of Finance Limantour is too long to be given in full. The extracts which have been quoted serve to give an idea of the conditions which made it desirable to consolidate the debt.

The contract for the loan was signed on July 1, 1899, by the following firms, whose participation in the loan is indicated opposite their names:

| | Per Cent |
|---|---|
| S. Bleichroeder | 40.33587 |
| J. P. Morgan & Co. in London and J. P. Morgan & Co. in New York | 26.89058 |
| Deutsche Bank | 13.44529 |
| Dresdener Bank | 13.13261 |
| National Bank of Mexico | 6.19565 |
| Total, per cent | 100.00000 |

The essential facts regarding this loan are as follows:

| | |
|---|---|
| Authorized Issue | £22,700,000-0-0 |
| Proceeds: | |
| £13,000,000-0-0 at 96% | 12,480,000-0-0 |
| 9,700,000-0-0 at 97¼% | 9,433,250-0-0 |
| Total | £21,913,250-0-0 |
| Less commission at 1% | 227,000-0-0 |
| Net proceeds | £21,686,250-0-0 |

DISPOSITION OF PROCEEDS.

| | |
|---|---|
| 6% 1888 bonds | £9,982,800-0-0 |
| 5% 1889 bonds Tehuantepec Railroad | 2,673,000-0-0 |
| 6% 1890 bonds | 5,852,300-0-0 |
| 6% 1893 bonds | 2,949,420-0-0 |
| 1½% Premium on 1888 bonds | 149,742-0-0 |
| 1% Premium on 1889 bonds Tehuantepec | 26,730-0-0 |
| 1½% Premium on 1890 bonds | 87,784-0-0 |
| 2% Premium on 1893 bonds | 58,988-0-0 |
| Total | £21,780,764-0-0 |

The difference between the amount secured and the amount paid out was probably paid from revenues.

### Amortization

The government agreed to pay semi-annually for amortization purposes a fixed sum amounting to 31/100 of 1% of the par value of the bonds issued, the total payment being 5.62% each year. Bonds were to be redeemed each six months. After interest had been paid on the bonds outstanding at the rate of 5% the balance of the fund was to be used for amortization purposes.

### Security

For the payment of interest and amortization charges, the government pledged 62% of the total import and export duties of the nation. The collections made in accordance with the above stipulation were always to exceed the amount required for debt service charges by 10%. If collections fell below this amount, the government agreed to increase the percentage of revenues pledged in the first quarter of the following fiscal year.

### Method of Segregation of Revenues

The government issued a decree requiring that 62% of all customs duties be paid with customs certificates which were issued to the National Bank of Mexico to be placed on sale at its ports of entry.

## 5% MUNICIPAL LOAN OF 1889—£2,400,000-0-0.

This loan was issued by the City of Mexico and the payment of the principal and interest was assumed by the Federal Government on July 1, 1903, in accordance with the terms of the law transferring the collection of taxes in the City of Mexico to the Federal Government.

This loan is still outstanding. Full details are contained in the statement of the loan in Appendix B.

## 7% LOAN OF 1892—£600,000-0-0.

No law appears to have been passed authorizing this loan. The contract is dated August 1, 1892. This loan has been repaid.

The National Bank of Mexico for itself and in representation of the various banks and banking houses in Berlin, London and Paris agreed to lend £600,000-0-0 to the government to be repaid in eight equal installments of £75,000-0-0 each on the first day of December, March, June and September. A commission of 2½% was allowed the bankers and 10% of the customs duties was pledged as security for the payment of interest and amortization charges.

The purpose of the loan was to raise funds to pay off the floating debt in London.

## 4% LOAN OF 1904—$40,000,000.00. DUE DECEMBER 1, 1954.

This loan was authorized on November 24, 1904, for the following purposes:

1. Payment of Treasury obligations issued June 1, 1903, $12,500,000.00.
2. Payment of Treasury obligations issued June 1, 1904, $6,000,000.00.
3. Payment of Special Certificates issued under the law of December 3, 1903, $9,213,500.00.
4. Payment of 6% bonds, payable in Mexican currency, issued as subventions to the Mexican Southern Railway and the Vera Cruz & Pacific Railway, $5,909,500.00.
5. Balance to be applied to the construction of public works at Salina Cruz, Coalzacoalcos and Manzanillo.

The bonds were to be amortized with the proceeds of semi-annual payments of $930,000.00 after interest on outstanding bonds was provided for. No special revenues were pledged or other security granted.

This loan was sold to—

Speyer & Company, New York;
Speyer Brothers, London;
Lazard Speyer-Ellison, of Frankfort;
Deutsche Bank, of Berlin;
Teixeira de Mattos Brothers, of Amsterdam;
Banco Nacional de Mexico,

and is still outstanding.

4% LOAN OF 1910— { Frs. 560,550,000.00.
£22,200,000-0-0.
$107,670,000.00.
P. 216,450,000.00.

The original contract for the loan was executed in the French language and is dated July 2, 1910. The signatories, with the participation of each, are as follows:

| | Per Cent. |
|---|---|
| S. Bleichroeder, Deutsche Bank, Dresdener Bank, Morgan, Grenfell & Co., J. P. Morgan & Co | 42.50 |
| Banco Nacional de Mexico | 15.00 |
| La Banque de Paris et des Pays Bas | 12.75 |
| Le Credit Lyonnais | 10.20 |
| La Societe Generale | 10.20 |
| La Comptoir National D'Escompte de Paris | 9.35 |
| Total | 100.00 |

The syndicate purchased one-half of the amount authorized at 94¾% and took an option on the balance at the same price. Due to the Madero revolution in 1910-1911, the option was not exercised.

The purpose of this loan was to refund the 5% loan of 1899 of £22,700,000-0-0, of which £20,778,740-0-0 was outstanding at the time. The security granted was the same as for the 5% loan of 1899,—viz. 62% of all import and export taxes. During such time as the loan of 1899 was not refunded, the revenues were to be collected by the Banco Nacional de Mexico through the use of customs certificates.

After the loan referred to had been redeemed, the use of customs certificates was to be discontinued, and all customs officers were to be required to remit 62% of their collections to the Banco Nacional.

### Amortization

The loan was to be repaid before January 1, 1945. The government agreed to pay semi-annually to the Banco Nacional for interest and amortization purposes 2.685% of the bonds authorized or 5.37% per annum.

As the interest rate was 4%, the rate of amortization was the highest of any loan so far placed by Mexico.

Since the 1899 loan was only one-half redeemed, the pledge of 62% of the customs duties runs jointly for both issues.

## OTHER LOANS

A study of annual reports of the Mexican government shows that the government issued at various times short time securities, and also frequently borrowed from the Banco Nacional on open account.

As all such loans are reflected in the ones discussed, it is not necessary to go into detail regarding them.

RECAPITULATION OF LOANS ISSUED EXCLUDING REFUNDING LOANS

| Title. | | Amount issued |
|---|---|---|
| 3% Consolidated Interior Debt of 1885 less amount redeemed with 1888 loan | | P. 52,577,425.00 |
| 5% Amortizable Interior Debt of 1894 | | 96,458,400.00 |
| State Loans assumed | | 9,638,000.00 |
| 6% Consolidated Exterior Mexican Debt of 1888 portion representing new debt only | £3,700,000-0-0 | 37,000,000.00 |
| 5% Tehuantepec Loan of 1889 | 2,700,000-0-0 | 27,000,000.00 |
| 5% Loan of 1890 | 6,000,000-0-0 | 60,000,000.00 |
| 6% Loan of 1893 | 3,000,000-0-0 | 30,000,000.00 |
| 5% Municipal Loan of 1889 | 2,400,000-0-0 | 24,000,000.00 |
| 7% Loan of 1892 | 600,000-0-0 | 6,000,000.00 |
| 4% Loan of 1904 | $40,000,000.00 | 80,000,000.00 |
| Total | | P. 422,673,825.00 |

For convenience the pound sterling is reduced to pesos at the rate of P10 for 1 pound and the dollar at 2 for 1.

The amount stated above represents new bonds issued. The difference between this and the amount of P375,000,000. previously referred to as the new debt is due to amortization payments.

## PRODUCTIVE WORKS

Data is not available to show the disposition of the proceeds of the various government loans. Fernando Gonzalez Roa in his book "El Problema Ferrocarrilero," published in 1915, states that up to June 30, 1902, the government had paid out in subsidies to railroads the amount of P144,891,743.92.

As the 4% loan of 1904 amounting to P80,000,000. was issued after the date referred to by him, and was issued for the payment of notes given as subsidies to railroads and for public works, it is probable that this amount should be added to the total stated by Sr. Roa.

It is reasonably certain that the 3% loan of 1885 was used to consolidate the floating debt. What portion of the 5%

interior loan of 1894 was used to pay floating indebtedness, and what portion was used for public works, is not known.

A statement issued on June 30, 1896, by the Bureau of the Public Debt of Mexico shows claims recognized and subject to settlement in 1894 bonds as amounting to P2,352,661.82. This loan was issued in five series, and the decree authorizing each of the four first issues provides that the bonds shall be used to consolidate the debt and to pay subsidies to railroads and for the construction of public works. The decree authorizing the last issue of P20,000,000. provided that the total amount was to be used for paying subsidies to railroads.

From these various statements we may arrive at the following approximation as to the disposition of the larger part of the bonds issued:

| | |
|---|---|
| For consolidation of the floating debt: | |
| 3% Loan of 1885 | P. 52,577,425.00 |
| 5% Loan of 1894 | 2,352,661.82 |
| Total | P. 54,930,086.82 |
| Debts assumed by the Government: | |
| 5% Municipal Loan of 1889 | P. 24,000,000.00 |
| State Loans | 9,638,000.00 |
| Total | P. 33,638,000.00 |
| Construction of Railways: | |
| Amount expended up to 1902 per Gonzales Roa | P. 144,891,743.92 |
| 5th Series of 5% Loan of 1894 | 20,000,000.00 |
| 4% American Loan of 1904 | 80,000,000.00 |
| Total | P. 244,891,743.92 |
| Balance not segregated | P. 89,213,994.26 |
| Total | P. 422,673,825.00 |

With a view to ascertaining the effect of these large expenditures upon the national revenues, the following figures are presented, taken from a graphic chart published by the Department of Finance in 1918.

## Total Revenues of Government

| Fiscal Year | Amount | Fiscal Year | Amount |
|---|---|---|---|
| 1883-1884 | P. 37,521,065.29 | 1897-1898 | P. 53,288,061.53 |
| 1884-1885 | 30,660,434.24 | 1898-1899 | 60,633,391.67 |
| 1885-1886 | 28,980,895.76 | 1899-1900 | 64,675,098.45 |
| 1886-1887 | 32,126,509.07 | 1900-1901 | 63,283,196.17 |
| 1887-1888 | 40,962,045.23 | 1901-1902 | 66,774,380.15 |
| 1888-1889 | 54,801,924.58 | 1902-1903 | 76,620,598.98 |
| 1889-1890 | 61,908,681.53 | 1903-1904 | 87,002,728.79 |
| 1890-1891 | 44,142,856.61 | 1904-1905 | 92,666,445.61 |
| 1891-1892 | 39,993,743.94 | 1905-1906 | 102.752,751.40 |
| 1892-1893 | 38,654,770.31 | 1906-1907 | 115,027,009.40 |
| 1893-1894 | 41,216,893.51 | 1907-1908 | 111,810,934.11 |
| 1894-1895 | 46,907,123.16 | 1908-1909 | 98,775,510.79 |
| 1895-1896 | 51,240,066.95 | 1909-1910 | 106,328,485.10 |
| 1896-1897 | 52,105,285.59 | | |

It cannot be doubted that the industrial development of the country was very greatly facilitated by improved means of transportation, and that national revenues, to a certain extent, reflected this prosperity.

### 1911 to 1918.

On September 16, 1910, Mexico celebrated the centennial of its declaration of independence and visitors from all over the world, representatives of foreign governments and native Mexicans, flocked to Mexico City for the biggest fiesta in its history.

On May 25, 1911, the man who had ruled the country for 30 years and who a few months before had been the recipient of congratulations from practically the entire world, resigned the office of President and fled to France.

The Madero Revolution which unseated him was a peaceful one. Francisco Madero entered Mexico City on July 7, 1911, called a special election for President and was elected and inaugurated on November 1, 1911.

On February 8, 1913, a revolution against the Madero government headed by Felix Diaz and General Reyes broke out in Mexico City. Victoriano Huerta, commanding general for Madero, came to some agreement with Diaz, and President Madero and Vice-President Pino Suarez were arrested on February 18, 1913. Congress appointed as President Pedro Lascurain, who appointed Huerta to the Cabinet and then resigned after having acted as President 45 minutes. His resignation automatically made Huerta President. On February 22nd Francisco Madero and Pino Suarez were killed under circumstances which strongly indicated foul play.

## FINANCIAL CONDITION WHEN MADERO CAME TO OFFICE

The annual report of the Treasury for the fiscal year July 1, 1910, to June 30, 1911, shows cash on hand and in bank amounting to P72,000,000.

It is difficult to obtain accurate information regarding financial transactions for the period from 1911 to 1917, but it appears that the Madero government issued two short term loans which were repaid with the proceeds of the 6% Treasury notes of 1913.

The report on the public debt issued in April, 1913, shows a 4½% loan of $10,000,000.00 due June 10, 1913, which has since been paid off.

## HUERTA ADMINISTRATION

Victoriano Huerta was President of Mexico from February 19, 1913, to July 15, 1914.

During this period a series of loans were authorized of which it appears that two were issued, as follows:

6% 10 year Treasury Bonds of 1913 ..... £20,000,000-0-0
6% 10 Year Treasury Bonds of 1914 ..... P60,000,000.00

Of the first loan £6,000,000-0-0 was sold at home and abroad to the following:

| | Per Cent |
|---|---|
| Mexican Group: | |
| 1 Banco Nacional de Mexico | 5.000 |
| French Group | 45.125 |
| 2 Banque de Paris et de Pays Bas. | |
| Societe Generale pour l'Developement. | |
| Comptoir National d'Escompte. | |
| Banque de l'Union Parisienne. | |
| Morgan Harjes & Co. | |
| A Spitzer & Co. | |
| German Group | 19.000 |
| 3 S. Bleichroeder. | |
| Deutsche Bank. | |
| Dresdener Bank. | |
| English Group | 19.000 |
| 4 Morgan Grenfell & Co. | |
| American Group | 11.875 |
| 5 J. P. Morgan & Co. | |
| Kuhn Loeb & Co. | |

It appears that the following amounts were taken by the National Banks of Mexico:

| | Pounds Sterling | Pesos |
|---|---|---|
| Second Issue | £2,171,495-0-0 | 18,000,000 |
| Third Issue | 239,935-0-0 | 1,988,460 |
| Fifth Issue | 307,692-0-0 | 2,550,000 |
| Eighth Issue | 4,685,731-0-0 | 41,117,299 |
| Total | £7,404,853-0-0 | P. 63.655,759 |

The following amounts appear to have been issued to guarantee the payment of interest on railroad bonds:

| | | |
|---|---|---|
| Fourth Issue | £595,580-0-0 | P. 5,806,905.00 |
| Seventh Issue | 365,470-0-0 | 3,563,332.50 |
| Ninth Issue | 400,000-0-0 | 3,900,000.00 |
| Total | £1,361,050-0-0 | P. 13,270,237.50 |

The 6th issue amounting to £3,175,580-0-0, equivalent to P30,961,905.00, was paid to John W. DeKay as the purchase price of the Mexican National Packing Company, and as an advance to Mr. DeKay to purchase munitions of war in Europe. Of the total amount issued to him, it is said that P10,000,000. was for the purchase of the Packing Company and the balance was for the purchase of arms.

## SUMMARY OF 6% LOAN OF 1913.

| | |
|---|---|
| Sold abroad | £6,000,000-0-0 |
| Deposited with National Banks as collateral for loans | 7,404,853-0-0 |
| Deposited as guarantee of railroad interest | 1,361,050-0-0 |
| John W. DeKay | 3,175,580-0-0 |
| Total | £17,941,483-0-0 |

Of the second loan of 1914, the following amounts appear to have been issued:

| | |
|---|---|
| To guarantee interest on railroad bonds | P. 11,500,000.00 |
| To guarantee circulation of Carbajal bonds | 9,216,329.00 |
| Total | P. 20,716,329.00 |

The information available regarding the disposition of these two loans is far from satisfactory, and no information can be secured as to whether the balance of the bond issues are on hand or have been disposed of.

The present Mexican government is not disposed to recognize the validity of all these issues. Regarding that portion of the loan sold abroad, General Carranza, then First Chief of the Constitutionalist Army, notified foreign governments that any loan placed with the Huerta government was illegal and would not be recognized. However, of the total amount sold abroad, it is understood that the Huerta government realized about 50 millions of pesos. With this amount it paid off indebtedness incurred by Madero amounting to about 42 millions, so that Huerta probably did not receive more than 8 or 9 millions of pesos.

The present government likewise took the position that the action of the National Banks, in purchasing Huerta bonds, was illegal, because they placed themselves in active opposition to the constitutional government. What disposition DeKay made of his bonds is not known.

It would appear unlikely that the Mexican government will assume the payment of all the indebtedness created by Huerta.

## CARRANZA REGIME

President Carranza's forces finally entered Mexico City on August 2, 1915, and beginning with October the various departments of government were transferred from Vera Cruz to Mexico City.

A constitutional convention was held in Queretaro from December 1, 1916, to about January 31, 1917, and a new constitution adopted which became effective May 1, 1917. An election for President was called in April, 1917, and General Carranza was elected and inaugurated as President on May 2, 1917.

The revolution against Huerta and for the restoration of Constitutional Government conducted by General Carranza was financed almost entirely by the issuance of fiat currency, together with the normal revenues of the country occupied by the Constitutionalist forces.

Fiat currency is usually referred to in Mexico as a debt of the Nation, and President Carranza in his message to Congress on April 15, 1917, speaking of the Debt of the Revolution, refers to it as follows:

"Infalsificable paper currency in circulation, if it were redeemed at the rate of P0.20 gold—P80,000,000."

On the basis of redemption specified, this indicates that the amount of Infalsificable paper currency outstanding was P400,000,000. From information secured in Mexico, it is believed that the amount outstanding on June 30, 1917, was about P300,000,000, which is being redeemed at the rate of P60,000,000. per annum through taxation.

Fiat currency outstanding is not included as a debt of the Nation in this report.

### Loans from Banks

Beginning with November, 1916, the Constitutionalist government borrowed funds from the National Banks. The amount due on November 28, 1918, according to a statement furnished by the Monetary Commission was P53,155,733.95.

### Vera Cruz Bonds, 1917—No Interest

These bonds were issued to redeem the so-called Vera Cruz Paper Currency. Details are given in Appendix B.

## CONCLUSION

The outlook for the future of Mexico is bright. Law and order are being re-established, commerce is improving, and if financial aid is granted to restore communication and credit facilities, the next few years should be the most prosperous in her history.

As an earnest of the future of Mexico, so far as lies in the power of the present administration, the following excerpt from President Carranza's message to Congress is quoted:

"A revolution that is not prompted by a necessity, the satisfaction of which does not admit extension of time, and which does not aspire to vitalize an ideal of morality and justice, is merely a crime against the existence of a people.

"The first requisite for the existence of a state is order. Order cannot prevail where there is no law, or where the law is violated constantly and with impunity. It is law which determines the relations among the members of a nation and serves as the intervening medium between these members.

Law fixes the sphere of free action to be exercised by individuals and the limits within which public authority must act so that social functions may not encounter obstacles in their multiple and legitimate manifestations. In a state where a man feels himself strong, simply because he is armed and believes himself able to impose his will over others, where there is no respect for life, liberty or property of the other members of the social body, there can be neither rights nor morality, which are the main elements of order. Within a state where any representative of authority considers himself capacitated to act as he elects without a brake to control his bursts of anger, without a sentiment impelling him to realize that there are others who deserve respect—and it is precisely for the purpose of compelling the stubborn to respect others and inspire ideas of right to the obstinate and refractory that public authority is necessary—in such a state, I repeat, can exist only anarchy, which is the disordered tyranny of the many; or despotism, which is the tyranny of only one."

EXHIBIT I.

MEXICAN NATIONAL DEBT
STATEMENT OF 5% ENGLISH LOAN OF 1823 COVERING
PERIOD FROM JANUARY, 1824, TO APRIL, 1831

| Debit | | | | Items | | Credit | |
|---|---|---|---|---|---|---|---|
| Principal | Interest | | | | | Principal | Interest |
| | | 1824 | | Principal of Loan | | £3,200,000-0-0 | |
| | £40,000- 0-0 | 1824 | 1-1 | Interest accrued and paid | | | £40,000- 0-0 |
| | 40,000- 0-0 | 1824 | 4-1 | Interest accrued and paid | | | 40,000- 0-0 |
| £50,000-0-0 | | | | Amortized | | | |
| | | | | Balance | 3,150,000-0 | | |
| | 39,375- 0-0 | 1824 | 7-1 | Interest accrued and paid | | | 39,375- 0-0 |
| | 39,375- 0-0 | 1824 | 10-1 | Interest accrued and paid | | | 39,375- 0-0 |
| | | 1824 | 10-7 | Amortized | | | |
| 55,400-0-0 | | | | Balance | 3,094,600-0 | | |
| | 38,682- 0-0 | 1825 | 1-1 | Interest accrued and paid | | | 38,682-10-0 |
| | 38,682- 0-0 | 1825 | 4-1 | Interest accrued and paid | | | 38,682-10-0 |
| 217,200-0-0 | | 1825 | 4-5-6 | Amortized | | | |
| | | 1825 | | Balance | 2,877,400-0 | | |
| | 35,967-10-0 | 1825 | 7-1 | Interest accrued and paid | | | 35,967-10-0 |
| | | 1825 | 7-8-9 | Amortized | | | |
| 198,400-0-0 | | 1825 | | Balance | 2,679,000-0 | | |
| | 33,487-10-0 | 1825 | 10-1 | Interest accrued and paid | | | 33,487-10-0 |
| 279,100-0-0 | | 1824 | 10-11-12 | Amortized | | | |
| | | 1825 | | Balance | 2,399,900-0 | | |
| | 29,998-16-0 | 1826 | 1-1 | Interest accrued and paid | | | 29,998-15-0 |
| | | 1826 | 1-1 | Amortized | | | |
| 162,200-0-0 | | 1826 | | Balance | 2,237,700-0 | | |
| | 27,971-05-0 | 1826 | 4-1 | Interest accrued and paid | | | 27,971-05-0 |
| 107,200-0-0 | | 1826 | 4-6 | Amortized | | | |
| | 26,631-05-0 | | | Balance | 2,130,500-0 | | |
| | 26,635-12-06 | 1826 | 7-1 | Interest accrued and paid | | | 26,631-05-0 |
| | 26,635-12-06 | 1826 | 10-1 | Interest on £2,130,850 accrued and paid | | | 26,635-12-06 |
| | 26,635-12-06 | 1827 | 1-1 | " " " " " " | | | 26,635-12-06 |
| | 26,635-12-06 | 1827 | 4-1 | " " " " " " | | | 26,635-12-06 |
| | | 1827 | 7-1 | " " " " " " | | | 26,635-12-06 |
| | | 1827 | 10-1 | " " " " " " | | | 26,631-05-0 |
| | | 1828 | 1-1 | " " " " " " | | | 26,631-05-0 |
| | | 1828 | 4-1 | " " " " " " | | | 26,631-05-0 |
| | | 1828 | 7-1 | " " " " " " | | | 26,631-05-0 |
| | | 1828 | 10-1 | " " " " " " | | | 26,631-05-0 |
| | | 1829 | 1-1 | " " " " " " | | | 26,631-05-0 |
| | | 1829 | 4-1 | " " " " " " | | | 26,631-05-0 |
| | | 1829 | 7-1 | " " " " " " | | | 26,631-05-0 |
| | | 1829 | 10-1 | " " " " " " | | | 26,631-05-0 |
| | | 1830 | 1-1 | " " " " " " | | | 26,631-05-0 |
| | | 1830 | 4-1 | " " " " " " | | | 26,631-05-0 |
| | | 1830 | 7-1 | " " " " " " | | | 26,631-05-0 |
| | | 1830 | 10-1 | " " " " " " | | | 26,631-05-0 |
| | | 1831 | 1-1 | " " " " " " | | | 26,631-05-0 |
| £2,130,500-0-0 | £399,468-15-0 | 1831 | 4-1 | " " " " " " | | | 26,631-05-0 |
| | | | | Balance due | | | |
| £3,200,000-0-0 | £896,182-10-0 | | | Totals | | £3,200,000-0-0 | £896,182-10-0 |

EXHIBIT 2

MEXICAN NATIONAL DEBT

STATEMENT OF 6% ENGLISH LOAN OF 1824 COVERING PERIOD FEBRUARY, 1825, TO APRIL, 1831

| Debit | | Items | | | Credit | |
|---|---|---|---|---|---|---|
| Principal | Interest | | | | Principal | Interest |
| | £48,000-00-0 | 1825 | 2-7 | Loan interest from October 1, 1824..... | £3,200,000-00-0 | |
| | 48,000-00-0 | 1825 | 4-1 | Interest accrued and paid 3 months..... | | £48,0000-00-0 |
| | 48,000-00-0 | 1825 | 7-1 | Interest accrued and paid 3 months..... | | 48,000-00-0 |
| | | 1825 | 10-1 | Interest accrued and paid 3 months..... | | 48,000-00-0 |
| £21,500-00-0 | | | 10-1 | Amortized (date uncertain)..... | | |
| | 47,677-10-0 | | 10-1 | Balance ..... 3,178,500-00-0 | | |
| | | 1826 | 1-1 | Interest ..... | | 47,677-10-0 |
| | | 1826 | 1-1 | Amortized ..... | | |
| 27,000-00-0 | 47,272-10-0 | | | Balance ..... 3,151,500-00-0 | | |
| | 47,272-10-0 | 1826 | 4-1 | Interest ..... | | 47,272-10-0 |
| | | 1826 | 7-1 | Interest ..... | | 47,272-10-0 |
| | | 1826 | 7-1 | Amortized ..... | | |
| 600-00-0 | 47,263-10-0 | | | Balance ..... 3,150,900-00-0 | | |
| | 47,263-10-0 | 1826 | 10-1 | Interest ..... | | 47,263-10-0 |
| | 47,263-10-0 | 1827 | 1-1 | Interest ..... | | 47,263-10-0 |
| | 47,263-10-0 | 1827 | 4-1 | Interest ..... | | 47,263-10-0 |
| | | 1827 | 7-1 | Interest ..... | | 47,263-10-0 |
| | | 1827 | 10-1 | Interest ..... | | 47,263-10-0 |
| | | 1828 | 1-1 | Interest ..... | | 47,263-10-0 |
| | | 1828 | 4-1 | Interest ..... | | 47,263-10-0 |
| | | 1828 | 7-1 | Interest ..... | | 47,263-10-0 |
| | | 1828 | 10-1 | Interest ..... | | 47,263-10-0 |
| | | 1829 | 1-1 | Interest ..... | | 47,263-10-0 |
| | | 1829 | 4-1 | Interest ..... | | 47,263-10-0 |
| | | 1829 | 7-1 | Interest ..... | | 47,263-10-0 |
| | | 1829 | 10-1 | Interest ..... | | 47,263-10-0 |
| | | 1830 | 1-1 | Interest ..... | | 47,263-10-0 |
| | | 1830 | 4-1 | Interest ..... | | 47,263-10-0 |
| | | 1830 | 7-1 | Interest ..... | | 47,263-10-0 |
| | | 1830 | 10-1 | Interest ..... | | 47,263-10-0 |
| | | 1831 | 1-1 | Interest ..... | | 47,263-10-0 |
| | | 1831 | 4-1 | Interest ..... | | 47,263-10-0 |
| £3,150,900-00-0 | £708,952-10-0 | | | Balance due ..... | | |
| £3,200,000-00-0 | £1,184,229-00-0 | | | Totals ..... | £3,200,000-00-0 | £1,184,229-00-0 |

EXHIBIT 3.

MEXICAN NATIONAL DEBT
5% ENGLISH LOAN 1823
CONVERSION OF 1831

| Debit | | | | | Credit | |
|---|---|---|---|---|---|---|
| Principal | Interest | | | | Principal | Interest |
| | | 1831 | 4-1 | Balance forward | £2,130,500-00-0 | £399,468-15-0 |
| | £339,468-15-0 | 1831 | 4-1 | Interest capitalized at 63½% with interest from 4-1-1836 | (1) 639,150-00-0 | |
| | | | | Total debt 4-1-1831 | 2,769,650-00-0 | |
| | 13,317-16-3 | 1831 | 7-1 | ½ interest for 3 months accrued and paid on £2,130,850 | | (2) 13,317-16-3 |
| | | 1831 | 7-1 | ½ interest for 3 months accrued on £2,130,500 | | (3) 13,315-12-6 |
| | 26,635-12-6 | 1832 | 1-1 | ½ interest for 6 months accrued and paid on £2,130,850 | | 26,635-12-6 |
| | | 1832 | 1-1 | ½ interest for 6 months accrued on £2,130,500 | | 26,631-05-0 |
| | 26,635-12-6 | 1832 | 7-1 | ½ interest for 6 months accrued and paid on £2,130,850 | | 26,635-12-6 |
| | | 1832 | 7-1 | ½ interest for 6 months accrued on £2,130,500 | | 26,631-05-0 |
| | | 1833 | 1-1 | Interest accrued on £2,130,500 6 months | | 53,262-10-0 |
| | | 1833 | 7-1 | Interest accrued on 2,130,500 6 months | | 53,262-10-0 |
| | | 1834 | 1-1 | Interest accrued on 2,130,500 6 months | | 53,262-10-0 |
| | | 1834 | 7-1 | Interest accrued on 2,130,500 6 months | | 53,262-10-0 |
| | | 1835 | 1-1 | Interest accrued on 2,130,500 6 months | | 53,262-10-0 |
| | | 1835 | 7-1 | Interest accrued on 2,130,500 6 months | | 53,262-10-0 |
| | | 1836 | 1-1 | Interest accrued on 2,130,500 6 months | | 53,262-10-0 |
| | | 1836 | 4-1 | Interest accrued on 2,130,500 3 months | | 26,631-05-0 |
| | | 1836 | 7-1 | Interest accrued on 2,130,500 3 months | | 34-620-12-6 |
| | | 1837 | 1-1 | Interest accrued on 2,769,650 6 months | | 69,241-05-0 |
| | | 1837 | 7-1 | Interest accrued on 2,769,650 6 months | | 69,241-05-0 |
| | | 1837 | 10-1 | Interest accrued on 2,769,650 3 months | | 34-620-12-6 |
| £2,769,650- 0-0 | £673,770-12-6 | | | Balance due | | |
| £2,769,650- 0-0 | £740 359-13-9 | | | Totals | £2,769,650-00-0 | £740,359-13-9 |

(1) Capitalized in accordance with decree of October 2, 1830. Interest period changed to six months.

(2) A difference of £250 existed between bankers and government.

(3) ½ interest accrued to be capitalized—decree October 2, 1830.

EXHIBIT 4

MEXICAN NATIONAL DEBT
6% ENGLISH LOAN 1824
CONVERSION OF 1831

| Debit | | | | | Credit | |
|---|---|---|---|---|---|---|
| Principal | Interest | | | | Principal | Interest |
| | | 1831 | 4-1 | Balance forward | £3,150,900-00-0 | £708,952-10-0 |
| | | | 4-1 | Interest capitalized at 75% with interest from 4-1-1836 | (1) 945,270-00-0 | |
| | £708,952-10-0 | | | Total debt 4-1-1836 | 4,096,170-00-0 | |
| | 23,631-15-0 | 1831 | 7-1 | Interest accrued and paid on £3,150,900 3 Mos... | | 47,263-10-0 |
| | 47,263-10-0 | 1832 | 1-1 | Interest accrued and paid on 3,150,900 6 Mos... | | (2) 94,527-00-0 |
| | 47,263-10-0 | 1832 | 7-1 | Interest accrued and paid on 3,150,900 6 Mos... | | 94,527-00-0 |
| | | 1833 | 1-1 | Interest accrued and paid on 3,150,900 6 Mos... | | 94,527-00-0 |
| | | 1833 | 7-1 | Interest accrued and paid on 3,150,900 6 Mos... | | 94,527-00-0 |
| | | 1834 | 1-1 | Interest accrued and paid on 3,150,900 6 Mos... | | 94,527-00-0 |
| | | 1834 | 7-1 | Interest accrued and paid on 3,150,900 6 Mos... | | 94,527-00-0 |
| | | 1835 | 1-1 | Interest accrued and paid on 3,150,900 6 Mos... | | 94,527-00-0 |
| | | 1835 | 7-1 | Interest accrued and paid on 3,150,900 6 Mos... | | 94,527-00-0 |
| | | 1836 | 1-1 | Interest accrued and paid on 3,150,900 6 Mos... | | 94,527-00-0 |
| | | 1836 | 4-1 | Interest accrued and paid on 3,150,900 3 Mos... | | 47,263-10-0 |
| | | 1836 | 7-1 | Interest accrued and paid on 4,096,170 3 Mos... | | 61,442-11-0 |
| | | 1837 | 1-1 | Interest accrued and paid on 4,096,170 6 Mos... | | 122,885-02-0 |
| | | 1837 | 7-1 | Interest accrued and paid on 4,096,170 6 Mos... | | 122,885-02-0 |
| | | 1837 | 10-1 | Interest accrued and paid on 4,096,170 3 Mos... | | 61,442-11-0 |
| £4,096,170- 0-0 | £1,195,766-11-0 | | | Balance due | | |
| £4,096,170- 0-0 | £1,313,925- 6-0 | | | Totals | £4,096,170-00-0 | £1,313,925-06-0 |

(1) Capitalized in accordance with decree of October 2, 1830, interest periods changed to 6 months.

(2) ½ interest accrued to be capitalized in accordance with above decree.

EXHIBIT 6

MEXICAN NATIONAL DEBT

ENGLISH LOAN
CONVERSION OF 1837

| | | | |
|---|---|---|---|
| 1837 | 10-1 | Balance forward | |
| | | 5% Loan—1823 Principal | £2,769,650- 0-0 |
| | | Interest | 673,770-12-6 |
| | | | 3,443,420-12-6 |
| | | 6% Loan—1824 Principal | 4,096,170- 0-0 |
| | | Interest | 1,195,766-11-0 |
| | | | 5,291,936-11-0 |
| | | Addition by conversion 6% to 5% bonds at 112½ on £2,096,170 | 512,021-05-0 |
| | | | £9,247,378-08-6 |
| | | Total issued divided as follows: | |
| | | ½ with 5% interest from date | 4,623,689-04-3 |
| | | ½ with deferred interest at 5% from October 1, 1847 | 4,623,689-04-3 |

EXHIBIT 6

MEXICAN NATIONAL DEBT
ENGLISH LOAN
CONVERSION OF 1843

| Debit | | | | | Credit | |
|---|---|---|---|---|---|---|
| Principal | Interest | | | | Principal | Interest |
| | | | | Balance brought forward | | |
| | | | | ½ total debt bearing 5% interest from date | £4,623,689-04-3 | |
| | | 1838 | 4-1 | ½ total debt with interest at 5% from October 1, 1847 | 4,623,689-04-3 | |
| | | 1838 | 10-1 | Interest accrued 6 months | | £115,592-04-7 |
| | | 1839 | 4-1 | Interest accrued 6 months | | 115,592-04-7 |
| | | 1839 | 10-1 | Interest accrued 6 months | | 115,592-04-7 |
| | | 1839 | 11-12 | Interest accrued 6 months | | 116,592-04-7 |
| | £95,310-00-0 | 1939 | 11-12 | Custom House Certificates sold | | |
| | | 1840 | 4-1 | Interest accrued 6 months | | 116,592-04-7 |
| | | 1840 | 10-1 | Interest accrued 6 months | | 116,592-04-7 |
| | 167,978-05-0 | | | Custom House Certificates sold | | |
| | | 1841 | 4-1 | Interest accrued 6 months | | 116,592-04-7 |
| | | 1841 | 10-1 | Interest accrued 6 months | | 115,592-04-7 |
| | 27,113-12-6 | | | Custom House Certificates sold | | |
| | £290 401-17-6 | | | Total Custom House Certificates | | |
| | 17,735-12-6 | | | Less 10% charge for expenses | | |
| | 272 666-05-0 | | | Net amount credited to interest | | |
| | 43,949-05-6 | | 12-1 | Cash from Custom Houses at Santa Ana and Vera Cruz | | |
| | 316 615-10-6 | | | Balance down | | |
| | 116,592-04-7 | 1842 | 4-1 | Interest accrued and paid | | 115,592-04-7 |
| | 115,592-04-7 | 1842 | 10-1 | Interest accrued and paid | | 115,592-04-7 |
| | 115,592-04-7 | 1843 | 4-1 | Interest accrued and paid | | 115,592-04-7 |
| | 115,592-04-7 | 1843 | 10-1 | Interest accrued and paid | | 115,592-04-7 |
| £9,247,378-08-6 | 608,122-06-2 | | | Balance due | | |
| £9 247,378-08-6 | £1,387,106-15-0 | | | Totals | £9,247,378-08-6 | £1,387,106-15-0 |

DEBT AS RECOGNIZED BY GOVERNMENT:

| | |
|---|---|
| Active Bonds bearing 6% interest | 5,500,000-00-0 |
| Deferred Bonds bearing 6% interest | 91,650-00-0 |
| Deferred Bonds no interest until October 1, 1847 | 4,624,000-00-0 |
| Debentures issued for part of interest not paid | 499,096-00-0 |
| Total debt recognized by government | 10,714,746-00-0 |
| Amount of debt as above | 9,855,500-14-8 |
| Increase in debt | £859,245-05-4 |

## EXHIBIT 7

### MEXICAN NATIONAL DEBT
### ENGLISH LOAN
### CONVERSION OF 1846

| Debit | | | | | Credit | |
|---|---|---|---|---|---|---|
| Principal | Interest | | | | Principal | Interest |
| | | 1843 | 12-15 | Balance brought forward | | |
| | | | | Debt bearing interest at 5% | £5,591,650- 0-0 | |
| | | | | Debt without interest until October 1, 1847 | 5,123,096- 0-0 | |
| | £139,791- 5-0 | 1844 | 4-1 | Interest accrued 5% on £5,591,650 6 months | | £139,791- 5-0 |
| | 139,791- 5-0 | 1844 | 10-1 | Interest accrued 5% on 5,591,650 6 months | | 139,791- 5-0 |
| | | 1845 | 4-1 | Interest accrued 5% on 5,591,650 6 months | | 139,791- 5-0 |
| | | 1845 | 10-1 | Interest accrued 5% on 5,591,650 6 months | | 139,791- 5-0 |
| | | 1846 | 4-1 | Interest accrued 5% on 5,591,650 6 months | | 139,791- 5-0 |
| | | 1846 | 7-1 | Interest accrued 5% on 5,591,650 3 months | | 69,895-12-6 |
| £10,714,746-00-0 | 489,269- 7-6 | | | Balance due | | |
| £10,714,746-00-0 | £768,851-17-6 | | | Totals | £10,714,746- 0-0 | £768,851-17-6 |

### CONVERSION

| | |
|---|---|
| Principal of Loan | £10,714,746- 0-0 |
| Balance of interest not paid to July 1, 1846 | 489,269- 0-0 |
| Total amount due | £11,204,015- 0-0 |
| Less amount rejected by government | 962,365- 0-0 |
| Balance constituting new debt total amount bearing interest at 5% | £10,241,650- 0-0 |

## EXHIBIT 8

### MEXICAN NATIONAL DEBT
### ENGLISH LOAN
### CONVERSION OF 1850

| Debit | | | | | Credit | |
|---|---|---|---|---|---|---|
| Principal | Interest | | | | Principal | Interest |
| | | 1846 | 7-1 | Balance brought forward | £10,241,650-0-0 | |
| | | 1847 | 1-1 | Interest accrued 5% 6 months | | £256,041-5-0 |
| | | 1847 | 7-1 | Interest accrued 5% 6 months | | 256,041-5-0 |
| | | 1848 | 1-1 | Interest accrued 5% 6 months | | 256,041-5-0 |
| | | 1848 | 7-1 | Interest accrued 5% 6 months | | 256,041-5-0 |
| | | 1849 | 1-1 | Interest accrued 5% 6 months | | 256,041-5-0 |
| | | 1849 | 7-1 | Interest accrued 5% 6 months | | 256,041-5-0 |
| | | 1850 | 1-1 | Interest accrued 5% 6 months | | 256,041-5-0 |
| | | 1850 | 7-1 | Interest accrued 5% 6 months | | 256,041-5-0 |
| | | 1851 | 1-1 | Interest accrued 5% 6 months | | 256,041-5-0 |
| | | | | Payments | | |
| | | 1850 | 12-31 | Proceeds custom house certificates cotton receipts, tax on tobacco and remittance from custom house at Manzanillo from 1846 to 1850. | | |
| | £177,053- 8-0 | | | Balance of deposit of Bank of London, received from Mexican custom houses from 1846 to 1850. | | |
| | 215,962- 0-0 | | | Part of proceeds indemnity U. S. to Mexico. | | |
| | 500,000- 0-0 | | | | | |
| £10,241,650-0-0 | 1,411,355-13-0 | | | Balance due | | |
| £10,241,650-0-0 | £2,304,371- 5-0 | | | Totals | £10,241,650-0-0 | £2,304,371-5-0 |



#### CONVERSION

| | |
|---|---|
| Principal of debt | £10,241,650- 0-0 |
| Balance of unpaid interest | 1,411,355-13-0 |
| Total | £11,653,005-13-0 |
| Less amount waived by agreement with bondholders | 1,411,355-13-0 |
| New debt | £10,241,650- 0-0 |

Interest rate reduced from 5 to 3%.

EXHIBIT 9

MEXICAN NATIONAL DEBT
ENGLISH LOAN
CONVERSION OF 1863

| Debit | | | | | Credit | |
|---|---|---|---|---|---|---|
| Principal | Interest | | | | Principal | Interest |
| | | 1850 | 12-31 | Balance brought forward | £10,241,650-0-0 | |
| | £307,249-10-0 | 1851 | | Interest accrued and paid 1 year | | £307,249-10-0 |
| | 307,249-10-0 | 1852 | | Interest accrued and paid 1 year | | 307,249-10-0 |
| | 307,249-10-0 | 1853 | | Interest accrued and paid 1 year | | 307,249-10-0 |
| | | 1854 | | Interest accrued 1 year | | 307,249-10-0 |
| | | 1855 | | Interest accrued 1 year | | 307,249-10-0 |
| | | 1856 | | Interest accrued 1 year | | 307,249-10-0 |
| | | 1857 | | Interest accrued 1 year | | 307,249-10-0 |
| | | 1858 | | Interest accrued 1 year | | 307,249-10-0 |
| | | 1859 | | Interest accrued 1 year | | 307,249-10-0 |
| | | 1860 | | Interest accrued 1 year | | 307,249-10-0 |
| | | 1861 | | Interest accrued 1 year | | 307,249-10-0 |
| | | 1862 | | Interest accrued 1 year | | 307,249-10-0 |
| | | 1863 | | Interest accrued 6 months to June 30, 1863 | | 153,624-15-0 |
| £10,641,650-0-0 | 2,918,870- 5-0 | | | Balance due | | |
| £10,641,650-0-0 | £3,840,618-15-0 | | | Totals | £10,241,650-0-0 | £3,840,618-15-0 |

CONVERSION

| | | |
|---|---|---|
| Principal of debt | | £10,241,650-0-0 |
| Balance of unpaid interest | £2 918,870-0-0 | |
| Compensation to bondholders for same | 1,945,930-0-0 | 4,864,800-0-0 |
| Total new debt | | £15,106,450-0-0 |

Maximilian issued new 3% bonds in 1864 to cover the amount of 4,864,800.

EXHIBIT 10

MEXICAN NATIONAL DEBT
ENGLISH LOAN
CONVERSION OF 1886

| Debit | | | | | Credit | |
|---|---|---|---|---|---|---|
| Principal | Interest | | | | Principal | Interest |
| | | 1863 | 9-1 | Balance brought forward | £15,106,450-0-0 | |
| | £154,376-14-3 | 1864 | 1-1 | Interest accrued and paid | | £226,596-15-0 |
| | 227,590- 0-5 | 1864 | 9-1 | Interest accrued and paid | | 226,596-15-0 |
| | 227,257- 7-7 | 1865 | 1-1 | Interest accrued and paid | | 226,596-15-0 |
| | 227,140-19-1 | 1865 | 9-1 | Interest accrued and paid | | 226,596-15-0 |
| | 226,070- 9-2 | 1866 | 1-1 | Interest accrued and paid | | 226,596-15-0 |
| | 120,000- 0-0 | | | By amounts received from Sr. Launza. | | |
| | 5,000- 0-0 | | | By amounts received from Sr. Falconet. | | |
| | 3,200- 0-0 | | | By amounts received from Sr. Whitehead. | | |
| | 20,000- 0-0 | | | By amounts received from Sr. Baring & Rosther. | | |
| | | | | BONDS OF 1851 | | |
| | | 1866-1875 | | Interest on £10,241,650 January 1, 1866, to December 31, 1875—10 Years 3% | | 3,072,495- 0-0 |
| | | 1876-1885 | | Interest on same amount up to December 31, 1885 | | 3,072,495- 0-0 |
| | | | | BONDS OF 1864. | | |
| | | 1866-1875 | | Interest on £4,864,800 January 1, 1866, to December 31, 1875—10 Years 3% | | 1,459,440- 0-0 |
| | | 1876-1885 | | Interest on same amount up to December 31, 1885 | | 1,459,440- 0-0 |
| £15,106,450-0-0 | 8,986,218- 4-6 | | | Balance due | | |
| £15,106,450-0-0 | £10,196,853-15-0 | | | Totals | £15,106,450-0-0 | £10,196,853-15-0 |

(Continued on next page)

EXHIBIT 10—Continued

## MEXICAN NATIONAL DEBT
## ENGLISH LOAN
## CONVERSION OF 1886

| TOTAL DEBT | Pound Sterling |
|---|---|
| Principal of debt | £15,106,450-0-0 |
| Balance of unpaid interest | 8,986,218-4-6 |
| Total | £24,092,668-4-6 |

| AMOUNT OF DEBT AS AGREED UPON BY GOVERNMENT AND BONDHOLDERS | |
|---|---|
| 3% bonds of 1851 at par | £10,241,650-0-0 |
| 3% bonds of 1864 at 50% | 2,432,400-0-0 |
| Unpaid interest on 1851 bonds at 15% | 921,748-0-0 |
| Total debt | £13,595,798-0-0 |

| REDEMPTION OF DEBT UNDER AGREEMENT | |
|---|---|
| £10,241,650-0-0 3% bonds of 1851 at 40% | £4,096,660-0-0 |
| 2,432,400-0-0 3% bonds of 1864 at 40% | 972,960-0-0 |
| 921,748-0-0 unpaid interest at 40% | 368,699-4-0 |
| Total amount paid to bondholders | £5,438,319-4-0 |

| SUMMARY | |
|---|---|
| Total debt January 1, 1886 | £24,092,668-4-6 |
| Amount paid to bondholders from proceeds of 6% loan of 1888 | 5,438,319-4-0 |
| Amount waived by mutual agreement | £18,654,349-0-6 |

Note—from 1863 to 1866 the Mexican Government apparently paid £77,651-15-6 more than was due on account of interest. This amount was not taken into consideration when the final settlement was made.

EXHIBIT 11

UNITED STATES OF MEXICO

SUMMARY OF PUBLIC DEBT

Pound Sterling 24.5841 for P. 1—Francs 505 for P. 195—
Dollars .4984 for P. 1

| Title | Amount Outstanding Dec. 31, 1918 | Accrued Interest to Dec. 31, 1918 | Total |
|---|---|---|---|
| 3% Consolidated Interior Debt of 1886 | P.42,383,850 | P. 6,357,577 | P. 48,741,427 |
| 5% Interior Debt of 1894 | 92,911,700 | 23,227,925 | 116,139,625 |
| 5% Municipal Loan of 1899 | 13,525,816 | 3,381,454 | 16,907,270 |
| 5% Consolidated Debt of 1899 | 97,206,828 | 23,086,619 | 120,293,447 |
| 5% State of Vera Cruz, 1901 | 831,200 | 207,800 | 1,039,000 |
| 5% State of Tamaulipos, 1902 | 741,500 | 185,375 | 926,875 |
| 4% Gold Loan of 1904 | 74,312,800 | 14,862,560 | 89,175,360 |
| 5% State of Sinaloa, 1906 | 466,700 | 116,675 | 583,375 |
| 5% State of Tamaulipos, 1906 | 796,600 | 199,150 | 995,750 |
| 5% State of Vera Cruz, 1906 | 664,000 | 166,000 | 830,000 |
| 4% Gold Loan of 1910 | 101,898,806 | 20,379,761 | 122,278,567 |
| 6% Treasury Notes of 1913 | 166,387,901 | 54,908,000 | 221,295,901 |
| 6% Treasury Notes of 1914 | 21,241,176 | 5,735,117 | 26,976,293 |
| Vera Cruz Bonds, 1917 | 2,942,885 | ..... | 2,942,885 |
| Vera Cruz Bonds awaiting issue | 582,685 | ..... | 582,685 |
| Bank Loans | 53,155,734 | 3,300,000 | 56,455,734 |
| Due employees for part salaries | 25,000,000 | ..... | 25,000,000 |
| Interest on Railroad Bonds guaranteed | ..... | 9,134,743 | 9,134,743 |
| Interest on Bonds of Caja de Prestamos, guaranteed | ..... | 5,643,661 | 5,643,661 |
| | P.695,050,181 | P. 170.892.417 | P. 865,942,598 |

## EXHIBIT 12

### 3% CONSOLIDATED INTERIOR DEBT 1886

### PRINCIPAL

| | |
|---|---|
| Authorized issue | P. 150,000,000.00 |
| Issued | 76,063,100.00 |
| Amortized to February 28, 1913 | 33,338,125.00 |
| March 1, 1913, bonds outstanding per last report | P. 42,724,975.00 |
| Amortized since | 341,125.00 |
| December 31, 1918, balance outstanding | P. 42,383,850.00 |

### INTEREST

| | | | |
|---|---|---|---|
| July | 1st, 1914 | Coupon 57 | P. 635,757.75 |
| January | 1st, 1915 | Coupon 58 | 635,757.75 |
| July | 1st, 1915 | Coupon 59 | 635,757.75 |
| January | 1st, 1916 | Coupon 60 | 635,757.75 |
| July | 1st, 1916 | Coupon 61 | 635,757.75 |
| January | 1st, 1917 | Coupon 62 | 635,757.75 |
| July | 1st, 1917 | Coupon 63 | 635,757.75 |
| January | 1st, 1918 | Coupon 64 | 635,757.75 |
| July | 1st, 1918 | Coupon 65 | 635,757.75 |
| January | 1st, 1919 | Coupon 66 | 635,757.75 |
| Total Interest | | | P. 6,357,577.50 |
| December 31, 1918, Total Debt | | | P. 48,741,427.50 |

### AMORTIZATION

Principal of bonds and unpaid coupons are admissible in payment for national land. Interest coupons also legal tender in payment of Federal taxes up to 5% of total taxes collected.

## EXHIBIT 13

### 5% INTERIOR DEBT 1894

### PRINCIPAL

| | |
|---|---|
| Authorized issue | P. 100,000,000.00 |
| Issued to February 28, 1918 | 96,458,400.00 |
| Amortized to March 3, 1913 | 5,410,900.00 |
| March 4, 1913, bonds outstanding per last report | P. 91,047,500.00 |
| September 3, 1913, bonds issued | 142,500.00 |
| March 3, 1914, bonds issued | 1,318,100.00 |
| September 3, 1914, bonds issued | 660,000.00 |
| | P. 93,168,100.00 |
| Amortized since March 4, 1913 | 256,400.00 |
| December 31, 1918, balance outstanding | P. 92,911,700.00 |

### INTEREST

| | | | |
|---|---|---|---|
| April | 1st, 1914 | Coupon 38 | P. 2,322,792.50 |
| October | 1st, 1914 | Coupon 39 | 2,322,792.50 |
| April | 1st, 1915 | Coupon 40 | 2,322,792.50 |
| October | 1st, 1915 | Coupon 41 | 2,322,792.50 |
| April | 1st, 1916 | Coupon 42 | 2,322 792.50 |
| October | 1st, 1916 | Coupon 43 | 2,322,792.50 |
| April | 1st, 1917 | Coupon 44 | 2,322,792.50 |
| October | 1st, 1917 | Coupon 45 | 2,322.792.50 |
| April | 1st, 1918 | Coupon 46 | 2,322,792.50 |
| October | 1st, 1918 | Coupon 47 | 2,322,792.50 |
| Total | | | P. 23,227,925.00 |
| December 31, 1918, Total Debt | | | P. 116,139,625.00 |

### AMORTIZATION

By progressive method—Government to pay over 2⅝% of total bonds issued each six months. After interest is paid on bonds outstanding, the balance of fund to be used to retire bonds at par. Bonds called for retirement by drawings. Coupons admissible in payment of any indebtedness at National Treasury.

## EXHIBIT 14

### 5% MUNICIPAL LOAN OF 1899
### DUE JANUARY 1, 1919

### PRINCIPAL

| | |
|---|---|
| Authorized issue | £2,400,000-0-0 |
| Issued | £2,400,000-0-0 |
| Amortized to December 13, 1912 | 942,500-0-0 |
| December 12, 1912, bonds outstanding per last report | £1,457,500-0-0 |
| Amortized since | 72,000-0-0 |
| December 31, 1918 | £1,385,500-0-0 |

### INTEREST

| | | | |
|---|---|---|---|
| April | 1st, 1914 | Coupon 101 | £17,318-15 |
| June | 1st, 1914 | Coupon 102 | 17,318-15 |
| October | 1st, 1914 | Coupon 103 | 17,318-15 |
| January | 1st, 1915 | Coupon 104 | 17,318-15 |
| April | 1st, 1915 | Coupon 105 | 17,318-15 |
| June | 1st, 1915 | Coupon 106 | 17,318-15 |
| October | 1st, 1915 | Coupon 107 | 17,315-15 |
| January | 1st, 1916 | Coupon 108 | 17,318-15 |
| April | 1st, 1916 | Coupon 109 | 17,318-15 |
| June | 1st, 1916 | Coupon 110 | 17,318-15 |
| October | 1st, 1916 | Coupon 111 | 17,318-15 |
| January | 1st, 1917 | Coupon 112 | 17,318-15 |
| April | 1st, 1917 | Coupon 113 | 17,318-15 |
| June | 1st, 1917 | Coupon 114 | 17,318-15 |
| October | 1st, 1917 | Coupon 115 | 17,318-15 |
| January | 1st, 1918 | Coupon 116 | 17,318-15 |
| April | 1st, 1918 | Coupon 117 | 17,318-15 |
| June | 1st, 1918 | Coupon 118 | 17,318-15 |
| October | 1st, 1918 | Coupon 119 | 17,318-15 |
| January | 1st, 1919 | Coupon 120 | 17,318-15 |

| | |
|---|---|
| Total Interest | £346,375-0-0 |
| December 31, 1918, Total Debt | £1,731,875-0-0 |

### AMORTIZATION

By progressive method—Government to pay 6% on total bonds issued. After interest at 5% is paid on bonds outstanding, the balance of fund to be used to retire bonds. Bonds to be called for retirement by semi-annual drawings.

## EXHIBIT 15

## 5% CONSOLIDATED DEBT 1899

## DUE 1945

### PRINCIPAL

| | |
|---|---|
| Authorized Issue | £22,700,000-00 |
| Issued | 22,700,000-00 |
| Amortized to December 11, 1912 | 12,601,980-00 |
| December 11, 1912, Bonds Outstanding per last report | £10,098,020-00 |
| Amortized since | 140,760-00 |
| December 31, 1918, Balance Outstanding | £ 9,957,260-00 |

### INTEREST

| | | | |
|---|---|---|---|
| July | 1st, 1914 | Coupon 58 | £124,465-15-0 |
| October | 1st, 1914 | Coupon 59 | 124,465-15-0 |
| January | 1st, 1915 | Coupon 60 | 124,465-15-0 |
| April | 1st, 1915 | Coupon 61 | 124,465-15-0 |
| June | 1st, 1915 | Coupon 62 | 124,465-15-0 |
| October | 1st, 1915 | Coupon 63 | 124,465-15-0 |
| January | 1st, 1916 | Coupon 64 | 124,465-15-0 |
| April | 1st, 1916 | Coupon 65 | 124,465-15-0 |
| June | 1st, 1916 | Coupon 66 | 124,465-15-0 |
| October | 1st, 1916 | Coupon 67 | 124,465-15-0 |
| January | 1st, 1917 | Coupon 68 | 124,465-15-0 |
| April | 1st, 1917 | Coupon 69 | 124,465-15-0 |
| June | 1st, 1917 | Coupon 70 | 124,465-15-0 |
| October | 1st, 1917 | Coupon 71 | 124,465-15-0 |
| January | 1st, 1918 | Coupon 72 | 124,465-15-0 |
| April | 1st, 1918 | Coupon 73 | 124,465-15-0 |
| June | 1st, 1918 | Coupon 74 | 124,465-15-0 |
| October | 1st, 1918 | Coupon 75 | 124,465-15-0 |
| January | 1st, 1919 | Coupon 76 | 124,465-15-0 |

| | |
|---|---|
| Total Interest | £2,364,849-05 |
| December 31, 1918, Total Debt | 12,322,109-05 |

### AMORTIZATION

By progressive method—Government to pay 5.62% on total bonds issued. After interest at 5% is paid on bonds outstanding, the balance of the fund to be used to redeem bonds. Bonds to be redeemed to be selected by semi-annual drawings if bonds were selling at par value or over. If bonds were selling at less than par value, they were to be purchased at their market price. One-half of this bond issue was redeemed with the proceeds of this 4% 1910 loan.

Note:—The report issued by the Mexican Government in 1913 states that the rate of amortization on the balance of this loan not refunded in 1910 is .5733 of 1 per cent.

## EXHIBIT 16

### 5% BONDS STATE OF VERA CRUZ 1901

### NO DUE DATE

### PRINCIPAL

| | |
|---|---|
| Authorized Issue | P. 5,000,000.00 |
| Issued | 4,551,000.00 |
| Amortized to March 4, 1913 | 3,375,000.00 |
| March 5, 1913, Bonds Outstanding per last report | 1,176,000.00 |
| Amortized since | 344,800.00 |
| December 31, 1918, Balance Outstanding | 831,200.00 |

### INTEREST

| | | | |
|---|---|---|---|
| March | 31st, 1914 | Coupon 48 | P. 10,390.00 |
| June | 30th, 1914 | Coupon 49 | 10,390.00 |
| September | 30th, 1914 | Coupon 50 | 10.390.00 |
| December | 31st, 1914 | Coupon 51 | 10,390.00 |
| March | 31st, 1915 | Coupon 52 | 10,390.00 |
| June | 30th, 1915 | Coupon 53 | 10,390.00 |
| September | 30th, 1915 | Coupon 54 | 10,390.00 |
| December | 31st, 1915 | Coupon 55 | 10,390.00 |
| March | 31st, 1916 | Coupon 56 | 10,390.00 |
| June | 30th, 1916 | Coupon 57 | 10,390.00 |
| September | 30th, 1916 | Coupon 58 | 10,390.00 |
| December | 31st, 1916 | Coupon 59 | 10,390.00 |
| March | 31st, 1917 | Coupon 60 | 10,390.00 |
| June | 30th, 1917 | Coupon 61 | 10,390.00 |
| September | 30th, 1917 | Coupon 62 | 10,390.00 |
| December | 31st, 1917 | Coupon 63 | 10,390.00 |
| March | 31st, 1918 | Coupon 64 | 10,390.00 |
| June | 30th, 1918 | Coupon 65 | 10,390.00 |
| September | 30th, 1918 | Coupon 66 | 10,390.00 |
| December | 31st, 1918 | Coupon 67 | 10,390.00 |

| | |
|---|---|
| Total Interest | P. 207,800.00 |
| December 31, 1918, Total Debt | P. 1,039,000.00 |

### AMORTIZATION

Amortization fund to consist of 2% additional customs duties collected at the Port of Vera Cruz.

## EXHIBIT 17

## 5% BONDS STATE OF TAMAULIPAS 1902

## FIRST SERIES

### PRINCIPAL

| | | |
|---|---|---|
| Authorized Issue | | P. 2,700,000.00 |
| Issued | | 2,700,000.00 |
| Amortized to December 4, 1913 | | 1,800,500.00 |
| March 5, 1913, Bonds Outstanding per last report | | P. 899,500.00 |
| Amortized since | | 158,000.00 |
| December 31, 1918, Balance Outstanding | | P. 741,500.00 |

### INTEREST

| | | | |
|---|---|---|---|
| April | 1st, 1914 | Coupon 43 | P. 9,268.75 |
| July | 1st, 1914 | Coupon 44 | 9,268.75 |
| October | 1st, 1914 | Coupon 45 | 9,268.75 |
| January | 1st, 1915 | Coupon 46 | 9,268.75 |
| April | 1st, 1915 | Coupon 47 | 9,268.75 |
| July | 1st, 1915 | Coupon 48 | 9,268.75 |
| October | 1st, 1915 | Coupon 49 | 9,268.75 |
| January | 1st, 1916 | Coupon 50 | 9,268.75 |
| April | 1st, 1916 | Coupon 51 | 9,268.75 |
| July | 1st, 1916 | Coupon 52 | 9,268.75 |
| October | 1st, 1916 | Coupon 53 | 9,268.75 |
| January | 1st, 1917 | Coupon 54 | 9,268.75 |
| April | 1st, 1917 | Coupon 55 | 9,268.75 |
| July | 1st, 1917 | Coupon 56 | 9,268.75 |
| October | 1st, 1917 | Coupon 57 | 9,268.75 |
| January | 1st, 1918 | Coupon 58 | 9,268.75 |
| April | 1st, 1918 | Coupon 59 | 9,268.75 |
| July | 1st, 1918 | Coupon 60 | 9,268.75 |
| October | 1st, 1918 | Coupon 61 | 9,268.75 |
| January | 1st, 1919 | Coupon 62 | 9,268.75 |

| | | |
|---|---|---|
| Total Interest | P. | 185,375.00 |
| December 31, 1918, Total Debt | P. | 926,875.00 |

### AMORTIZATION

Amortization fund to consist of 2% additional customs duties collection at the Port of Tampico together with pesos 30,000 per annum from municipal water taxes.

## EXHIBIT 18

### 4% GOLD LOAN OF 1904
### DUE 1954

### PRINCIPAL

| | |
|---|---|
| Authorized Issue | $40,000,000.00 |
| Issued | 40,000,000.00 |
| Amortized up to November, 1912 | 2,505,500.00 |
| November 29, 1912, Bonds Outstanding per last report | $37,494,500.00 |
| Amortized since | 457,000.00 |
| December 31, 1918, Balance Outstanding | $37,037,500.00 |

### INTEREST

| | | | |
|---|---|---|---|
| June | 1st, 1914 | Coupon 19 | $740,750.00 |
| December | 1st, 1914 | Coupon 20 | 740,750.00 |
| June | 1st, 1915 | Coupon 21 | 740,750.00 |
| December | 1st, 1915 | Coupon 22 | 740,750.00 |
| June | 1st, 1916 | Coupon 23 | 740,750.00 |
| December | 1st, 1916 | Coupon 24 | 740,750.00 |
| June | 1st, 1917 | Coupon 25 | 740,750.00 |
| December | 1st, 1917 | Coupon 26 | 740,750.00 |
| June | 1st, 1918 | Coupon 27 | 740,750.00 |
| December | 1st, 1918 | Coupon 28 | 740,750.00 |
| Total Interest | | | $ 7,407,500.00 |
| December 31, 1918, Total Debt | | | $44,445,000.00 |

### AMORTIZATION

Government to pay 4.65% of total bonds issued. After paying interest on bonds outstanding, at 4%, the balance of the fund to be used for amortization purposes. Bonds redeemed if quoted at par or above to be selected by semi-annual drawings, if selling below par, to be purchased in open market.

## EXHIBIT 19

## 5% BONDS STATE OF SINALOA 1906

### PRINCIPAL

| | |
|---|---|
| Authorized Issue | P. 689,000.00 |
| Issued | 698,000.00 |
| Amortized to December 5, 1912 | 206,500.00 |
| December 6, 1912, Bonds Outstanding per last report | P. 491,500.00 |
| Amortized since | 24,800.00 |
| December 31, 1918 Balance Outstanding | 466,700.00 |

### INTEREST

| | | | |
|---|---|---|---|
| July | 1st, 1914 | Coupon 15 | P. 11,667.50 |
| January | 1st, 1915 | Coupon 16 | 11,667.50 |
| July | 1st, 1915 | Coupon 17 | 11,667.50 |
| January | 1st, 1916 | Coupon 18 | 11,667.50 |
| July | 1st, 1916 | Coupon 19 | 11,667.50 |
| January | 1st, 1917 | Coupon 20 | 11,667.50 |
| July | 1st, 1917 | Coupon 21 | 11,667.50 |
| January | 1st, 1918 | Coupon 22 | 11,667.50 |
| July | 1st, 1918 | Coupon 23 | 11,667.50 |
| January | 1st, 1919 | Coupon 24 | 11,667.50 |

| | |
|---|---|
| Total Interest | P. 116,675.00 |
| December 31, 1918, Total Debt | 583,375.00 |

### AMORTIZATION

Amortization fund to consist of 2% additional customs duties collected in the Port of Mazatlan and pesos 1,250.00 contributed jointly by the State of Sinaloa and the Municipality of Mazatlan. If the customs duties are not sufficient, the State and Municipality are required to make up the difference—not less than pesos 300,000.00 per annum to be constituted for amortization purposes.

## EXHIBIT 20

## 5% BONDS STATE OF TAMAULIPAS 1906
## SECOND SERIES

### PRINCIPAL

| | |
|---|---|
| Authorized Issue | P. 950,000.00 |
| Issued | 950,000.00 |
| Amortized to December 7, 1912 | 122,300.00 |
| December 8, 1912, Bonds Outstanding per last report | P. 827,700.00 |
| Amortized since | 31,100.00 |
| December 31, 1918, Balance Outstanding | 796,600.00 |

### INTEREST

| | | | |
|---|---|---|---|
| June 30th, 1914 | Coupon 17 | P. 19,915.00 | |
| December 31st, 1914 | Coupon 18 | 19,915.00 | |
| June 30th, 1915 | Coupon 19 | 19,915.00 | |
| December 31st, 1915 | Coupon 20 | 19,915.00 | |
| June 30th, 1916 | Coupon 21 | 19,915.00 | |
| December 31st, 1916 | Coupon 22 | 19,915.00 | |
| June 30th, 1917 | Coupon 23 | 19,915.00 | |
| December 31st, 1917 | Coupon 24 | 19,915.00 | |
| June 30th, 1918 | Coupon 25 | 19,915.00 | |
| December 31st, 1918 | Coupon 26 | 19,915.00 | |
| Total Interest | | | P. 199,150.00 |
| December 31, 1918, Total Debt | | | P. 995,750.00 |

### AMORTIZATION

Amortization fund to consist of 2% additional customs duties collected in the Port of Tampico after first loan is redeemed and balance of water taxes after paying pesos 30,000 for first loan. Payments to Federal Government not to be less than pesos 2,500 per month from July 1, 1917.

EXHIBIT 21

5% BONDS STATE OF VERA CRUZ 1906
IMPROVEMENT PUERTO MEXICO

PRINCIPAL

| | |
|---|---|
| Authorized | P. 739,000.00 |
| Issued | 739,000.00 |
| Amortized up to December 4, 1912 | 61,000.00 |
| December 5, 1912, Bonds Outstanding per last report | P. 678,000.00 |
| Amortized since | 14,000.00 |
| December 31, 1918, Balance Outstanding | 664,000.00 |

INTEREST

| | | | |
|---|---|---|---|
| June 30th, 1914 | Coupon 15 | P. 16,600.00 | |
| December 31st, 1914 | Coupon 16 | 16,600.00 | |
| June 30th, 1915 | Coupon 17 | 16,600.00 | |
| December 31st, 1915 | Coupon 18 | 16,600.00 | |
| June 30th, 1916 | Coupon 19 | 16,600.00 | |
| December 31st, 1916 | Coupon 20 | 16,600.00 | |
| June 30th, 1917 | Coupon 21 | 16,600.00 | |
| December 31st, 1917 | Coupon 22 | 16,600.00 | |
| June 30th, 1918 | Coupon 23 | 16,600.00 | |
| December 31st, 1918 | Coupon 24 | 16,600.00 | |
| Total Interest | | | P. 166,000.00 |
| December 31, 1918, Total Debt | | | P. 830,000.00 |

AMORTIZATION

Amortization fund to consist of 2% additional customs duties collected at Puerto Mexico.

EXHIBIT 22

4% GOLD LOAN OF 1910

DUE 1945

PRINCIPAL

| | | |
|---|---|---|
| Authorized Issue | | F. 560,550,000. |
| Issued | | 280,275,000. |
| Amortized to July 1, 1912 | | 8,459,255. |
| July 1, 1912, Bonds Outstanding per last report | | F. 271,815,745. |
| Amortized since | | 7,923,965. |
| December 31, 1918, Balance Outstanding | | F. 263,891,780 |

INTEREST

| | | | |
|---|---|---|---|
| June 1st, 1914 | Coupon 8 | F. 5,277,835.60 | |
| December 31st, 1914 | Coupon 9 | 5,277,835.60 | |
| June 1st, 1915 | Coupon 10 | 5,277,835.60 | |
| December 31st, 1915 | Coupon 11 | 5,277,835.60 | |
| June 1st, 1916 | Coupon 12 | 5,277,835.60 | |
| December 31st, 1916 | Coupon 13 | 5,277,835.60 | |
| June 1st, 1917 | Coupon 14 | 5,277,835.60 | |
| December 31st, 1917 | Coupon 15 | 5,277,835.60 | |
| June 1st, 1918 | Coupon 16 | 5,277,835.60 | |
| December 31st, 1918 | Coupon 17 | 5,277,835.60 | |
| Total Interest | | | F. 52,778,356. |
| December 31, 1918, Total Debt | | | F. 316,670,136. |

AMORTIZATION

Government to pay 5.37% of total bonds issued. After paying interest on bonds outstanding at 4% per annum, the balance of the fund is to be used for redemption purposes. Bonds to be redeemed at par by drawings, if selling at or above par, or to be purchased at the market price if selling below par.

EXHIBIT 23

6% LOAN OF 1913—10 YEARS

PRINCIPAL

| | |
|---|---|
| Authorized Issue | £20,000,000-00-0 |
| Issued | 17,943,360- 0-0 |

USE OF PROCEEDS

| | |
|---|---|
| Sold abroad and used principally to pay short term indebtedness of President Madero | £ 6,000,000- 0-0 |
| Issued to Local Banks | 7,406,730- 0-0 |
| Issued to guarantee interest National Railways Bond | 1,361,050- 0-0 |
| Issued to DeKay for control of Mexican National Packing Company and purchase of arms in Europe | 3,175,580- 0-0 |
| Total | £17,943,360- 0-0 |

EXHIBIT 21

6% TREASURY BONDS 1914—10 YEARS

PRINCIPAL

| | |
|---|---|
| Authorized Issue | P. 60,000,000.00 |
| Issued | 21,241,176.00 |

USE OF PROCEEDS

| | |
|---|---|
| Issued to guarantee interest on Railway Bonds | P. 11,500,000.00 |
| Issued to guarantee provisional loan of P. 8,280,000.00 | 9,741,176.00 |
| Total | P. 21,241,176.00 |

## EXHIBIT 25

### VERA CRUZ BONDS—1917

### WITHOUT INTEREST

| | | |
|---|---|---|
| Amount issued up to December 7, 1918..... | | P. 4,768,673.00 |
| June 30, 1917, Payments on Coupon No. 1 | P. 948,562.84 | |
| June 30, 1918, Payments on Coupon No. 2 | 877,224.55 | |
| Total paid up to December 7, 1918..... | P. 1,825,787.39 | |
| Balance due ..... | 2,942,885.61 | |
| | P. 4,768,673.00 | P. 4,768,673.00 |

These bonds were issued to redeem the Vera Cruz paper currency at the rate of P. 10.00 paper for P. 1.00 Mexican Gold.

There is an addition P. 5,826,858.20 in Vera Cruz paper currency awaiting conversion, which, at the rate of 10 for 1 would mean an additional debt of P. 582,685.82.

EXHIBIT 26

BORROWED FROM BANKS DURING 1917 AND 1918

| | |
|---|---|
| Amount due November 28, 1918, per statement furnished by Monetary Commission | P. 53,155,733.95 |

The above sum was borrowed from National Bank at various times since November, 1916.

EXHIBIT 27

GUARANTEES

4% GENERAL MORTGAGE BONDS NATIONAL RAILWAYS

| | | |
|---|---|---|
| Bonds Outstanding | | $50,748,575.00 |
| **INTEREST** | | |
| As per Commercial Statement to June 30, 1917, a period of 3 years | | $6,089,829.00 |
| June 30, 1917, to December 31, 1918, 1½ years | | 3,044,914.00 |
| | | $9,134,743.00 |
| Principal | $50,748,575.00 | P. 101,497,150.00 |
| Interest | 9,134,743.00 | 18,269,486.00 |
| | $59,883,318.00 | P. 119,766,636.00 |

Commercial rate of exchange pesos 2.00 for 1.00 dollar.

## EXHIBIT 28

### GUARANTEES

### 4½% GOLD BONDS CAJA DE PRESTAMOS

| | | |
|---|---|---|
| Bonds Outstanding | | $25,000,000.00 |
| **INTEREST** | | |
| Balance of old unpaid coupons | | $ 18,661.50 |
| 3½ years up to June 30, 1917 | | 3,937,500.00 |
| 1½ years from June 30, 1917, to December 31, 1918 | | 1,687,500.00 |
| | | 5,643,661.50 |
| Principal | $25,000,000.00 | P. 50,000,000.00 |
| Interest | 5,643,661.50 | 11,267,323.00 |
| | $30,643,661.50 | P. 61,287,323.00 |

Commercial rate of exchange pesos 2.00 for 1.00 dollar.

## BIBLIOGRAPHY


Bancroft, Hubert H.—History of Mexico. San Francisco, 1890, 4 Vol.

Bancroft, Hubert Howe.—Popular History of Mexico. New York, 1914.

Casasus, Joaquin D.—Historia de la Deuda Contraída en Londres. Mexico, 1885.

Carranza, General Venustiano.—Message to the Mexican Congress, April 15, 1917. Mexico, 1918.

Castillo, Juan.—Colección de Leyes, Decretos, Reglamentos, Contratos, Supremas Resoluciones y noticias referentes al crédito público a los años de 1883 a 1903. Mexico, 1903.

Hall, W. E.—Treatise on International Law. 6th Edition. 1910.

Mexico.—Secretaría de Hacienda—Ley de Ingresos y Presupuesto de egresos. 1910-1911, 1913-1914.

Mexico.—Secretaría de Hacienda. Informe al Congreso de la Unión sobre el convenio celebrado con los Tenedores de Bonos de la Deuda contraída en Londres. Mexico, 1886.

Mexico—Secretaría de Hacienda. Informe que el Ministro de Hacienda, Manuel Dublan presenta al Congreso de los Estados Unidos Mexicanos sobre el empréstito contratado en Europa de £10,500,-000-0-0. Mexico, 1888.

Mexico.—Secretaría de Hacienda. Informe que en complimento del Artículo 2nd del decreto de 29 de Mayo de 1893, que autoriza al ejecutivo para consumar el arreglo de la Deuda Nacional de Mexico, 1894.

Mexico.—Secretaría de Hacienda. Informe al Congreso de la Unión sobre el uso de las facultades atorgadas al Ejecutivo por la ley de 2 de Junio de 1899 para convertir la Deuda Nacional de Mexico, 1900.

Mexico.—Secretaría de Hacienda. Informe al Congreso de la Unión sobre la conversión de la deuda del 5 por ciento de 1899. Mexico, 1911.

Mexico.—Secretaría de Hacienda. Memoria de Hacienda y Crédito Público, 1869-1870. Mexico, 1870.

Mexico.—Secretaría de Hacienda. Memoria de Hacienda. 1884-1885, 1909-1910.

Mexico.—Tesorería de la Federación. Prontuario de la Deuda Pública Titulada y noticia de las obligaciones garantizadas por la Federación. Mexico, 1913.

Moore, John Bassett.—A digest of international law as embodied in diplomatic discussions, treaties and other international agreements. 8 Vols. 1906.

Montellano, Mariano Ortiz de. Apuntes para liquidación de la deuda contraída en Londres. Mexico, 1886.

Noll, Arthur Howard.—From Empire to Republic. Chicago, 1903.

Payne, Manuel.—Mexico y sus Cuestiones Financieras. Mexico, 1862.

Roa, D. Fernando Gonzales.—El Problema Ferrocarrilero. Mexico, 1915.

Taylor, H.—International Public law. 1911.

United States.—American Republics Bureau Handbook of Mexico. House Documents, Vol. 66-58, Congress, 3rd session, 1904-1905.

6 Q 133 B
11-

University of California
SOUTHERN REGIONAL LIBRARY FACILITY
Return this material to the library
from which it was borrowed.

REC'D LD-URL
JUL 0 8 1988
Padilla, S.
6-2-89
REC'D JUN 05 1989
QL APR 0 9 1990
REC'D LD-URL
QL OCT 01 1990
OCT 0 4 1990
REC'D LD-URL
QL OCT 17 1994
OCT 11 1994

AC MAY 0 3 2004
JUN 2 5 REC'D

S.E.B.

UC SOUTHERN REGIONAL LIBRARY FACILITY
A 000 017 656 0

Uni
S